# *United States Court of Appeals*
# *for the Second Circuit*

# EXHIBITS

ORIGINAL

# 77-6148,6154

B

## United States Court of Appeals

FOR THE SECOND CIRCUIT

DUPONT GLORE FORGAN INCORPORATED, *et al.*,
*Plaintiffs-Appellants,*

P/S

—against—

AMERICAN TELEPHONE AND TELEGRAPH COMPANY, *et al.*,
*Defendants and Third-Party*
*Plaintiffs-Appellees-Appellants,*

—against—

UNITED STATES OF AMERICA,
*Third-Party Defendant-Appellee.*

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

UNITED STATES COURT OF APPEALS
FILED
DEC 5 1977
A. DANIEL FUSARO, CLERK
SECOND CIRCUIT

## EXHIBIT VOLUME

**VOLUME 2 of 3**
**Pages E-585 to E-1192**

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* Defendants' Exhibit.

E585
Exhibit 41C

ADV. [illegible] 1130 9-24-70
TARIFFS [illegible] 9-24-70

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

7. Residence Stations are furnished to the college or university upon the condition that use of the service shall not be made subject to any charge by the college or university in excess of the charges of the Telephone Company.

8. Charges

| | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Console, per position | $200.00 | $150.00 |
| (2) Switchboard (Universal Type), per position | 250.00 | 175.00 |

b. Main Stations - Monthly Charges
(1) Regular Service
(a) Business Stations
(i) Flat Rate Service

| | Rate Groups A, B, C and Farmington Livonia Romulus Trenton Wyandotte Zones | Rate Group D and Mayfair Roseville Southfield Wayne Troy Zones | Birmingham Royal Oak Center Line Warren Zones |
|---|---|---|---|
| First 250 Stations, each | $6.50 | $7.50 | $8.50 |
| Next 250 Stations, each | 5.75 | 6.50 | 7.50 |
| Next 500 Stations, each | 5.50 | 6.00 | 6.75 |
| All Addl. Stations, each | 5.25 | 5.50 | 6.00 |

The stations have the same Local Service Area calling privileges and message unit charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

(ii) Measured Rate Service

| | Detroit Zone |
|---|---|
| First 250 Stations, each | $7.75 |
| Next 250 Stations, each | 6.75 |
| Next 500 Stations, each | 5.75 |
| All Addl. Stations, each | 4.75 |

The stations have the same Local Service Area calling privileges and message unit charges as specified for Business Measured Service in the Detroit Zone except that there is no message unit allowance. All message units are charged for at $.042 each.

(b) Residence Stations
(i) Non-restricted residence stations are provided at a charge which is $0.20 less than the charge for Residence Individual Line Flat Rate Service in the various Exchanges and Zones as specified in Tariff M.P.S.C. No. 1. This charge provides the same Local Service Area calling privileges and message unit charges as is applicable for Individual Line Flat Rate Service.

Special Toll Billing Arrangement (C)
For residence stations furnished in university-provided housing where the Telephone Company assumes the responsibility of collecting from the individual users and bills toll charges directly to the stations a special toll billing arrangement charge of $0.20 applies for each statement rendered. (C)

(ii) Restricted residence stations are provided at a charge of $3.25 each per month.

(2) Metropolitan Service

| | |
|---|---|
| First 250 Stations, each | $10.25 |
| Next 250 Stations, each | 9.25 |
| Next 500 Stations, each | 8.25 |
| All Addl. Stations, each | 7.25 |

A charge of $.05 applies for messages to stations within the Local Service Area. Exchanges and Zones where the service is available, Local Service Areas, and regulations are as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

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Issued under authority of Mich. Pub. Serv. Comm. Order dated September 21, 1970, Case No. U-3671

Issued: September 24, 1970

Effective: September 26, 1970

By L. J. Haynes, Vice President

E586

Exhibit 41C

ADV. # 1126 9-24-70

TRANS 9-24-70

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### SPECIAL P.B.X. FEATURES

A. TOLL DIVERSION ARRANGEMENTS (Continued)

3. Type II: (Formerly Type III - Previous Type II now combined with Type I)

   a. Type II Toll Diversion is available with Centrex I and Centrex II P.B.X. stations.

   b. Two classes of toll diversion are available: (1) to divert all long distance and multiunit calls and (2) to divert all long distance calls only.

   c. When a station equipped with toll diversion dials a restricted code, the call will be diverted to a distinctive tone to indicate that such calls cannot be dialed from that station.

   d. The charges specified herein are not applicable to those specific stations arranged for toll diversion as of October 15, 1962 for systems installed prior to April 18, 1961.

   e. Charges
      (1) The charges indicated below are in addition to the regular charges for stations.

      (2) Centrex I and Centrex II stations, excluding Centrex I-CO residence stations:
         (a) Charges

|  | Per Month |
|---|---|
| Up to and including 100 stations equipped for toll diversion | $50.00 |
| Additional Stations, each | 0.50 |

If the customer has both classes of toll diversion as described in b. preceding, the above charges apply for each class of toll diversion.

(b) Initial Contract Period and Termination Charges

The initial contract period for the initial 100 stations or less for each class of toll diversion is three years.

Termination charges applicable in the event of discontinuance of a class of toll diversion prior to the expiration of the initial contract period shall be an amount equal to 50% of the unbilled monthly charges for the initial 100 stations (or less) for the unexpired portion of the contract period.

(3) Centrex I-CO Residence Stations (C)

(a) At the time service is established and at the beginning of a new school year, term, or semester no charge is applicable to provide or to remove Toll Diversion on residence centrex stations.

(b) Provision of Toll Diversion at a time other than specified in (a) preceding. A nonrecurring charge of $2.50 applies for each station changed to Toll Diversion, except that no charge is applicable where the Telephone Company initiates such a change involving a delinquent account under the Special Toll Billing Arrangement.

(c) Removal of Toll Diversion at a time other than specified in (a) preceding. No charge is applicable for removal of Toll Diversion except as indicated in the following:

Where the Telephone Company has placed the service on Toll Diversion because of a delinquent account and subsequently the account is reinstated for the Special Toll Billing Arrangement a nonrecurring charge of $2.50 applies for the removal of Toll Diversion. (C)

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Issued under authority of Mich. Pub. Serv. Comm. Order dated September 21, 1970, Case No. U-3671

Issued: September 24, 1970

Effective: September 26, 1970

By L. J. Haynes, Vice President
Detroit, Michigan

E587
Exhibit 41C

ADV. E1122 [illegible] 12-6-71
TRANS. TO COMM. [illegible] 12-4-71

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Tenth Revised Sheet 39.1
Cancels Ninth Revised Sheet 39.1

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

7. Residence Stations are furnished to the college or university upon the condition that use of the service shall not be made subject to any charge by the college or university in excess of the charges of the Telephone Company.

8. Charges

| | Installation Charge | Monthly Charge | |
|---|---|---|---|
| a. Attendant Positions | | | |
| (1) Console, per position | $217.00 | $162.75 | (I) |
| (2) Switchboard (Universal Type), per position | 271.25 | 189.90 | (I) |

b. Main Stations - Monthly Charges
(1) Regular Service
(a) Business Stations
(i) Flat Rate Service

| | Rate Groups A, B and C* | Rate Group D ϕ | Rate Group E ϕ | |
|---|---|---|---|---|
| First 250 Stations, each | $ 7.05 | $8.15 | $9.20 | (I) |
| Next 250 Stations, each | 6.25 | 7.05 | 8.15 | \| |
| Next 500 Stations, each | 5.95 | 6.50 | 7.30 | \| |
| All Addl. Stations, each | 5.70 | 5.95 | 6.50 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

* Temporary offering in suburban Zones of the Detroit District Exchange until October 16, 1972.
ϕ Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

(ii) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $8.40 | (I) |
| Next 250 Stations, each | 7.30 | \| |
| Next 500 Stations, each | 6.25 | \| |
| All Addl. Stations, each | 5.15 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

(b) Residence Stations
(i) Non-restricted residence stations are provided at a charge which is $0.20 less than the charge for Residence Individual Line Flat Rate Service in the various Exchanges and Zones as specified in Tariff M.P.S.C. No. 1. This charge provides the same Local Service Area calling privileges and message charges as are applicable for Individual Line Flat Rate Service.

Special Toll Billing Arrangement
For residence stations furnished in university-provided housing where the Telephone Company assumes the responsibility of collecting from the individual users and bills toll charges directly to the stations, a special toll billing arrangement charge of $0.20 applies for each statement rendered.

(ii) Restricted residence stations are provided at a charge of $3.25 each per month.

(2) Metropolitan Service

| | | |
|---|---|---|
| First 250 Stations, each | $11.10 | (I) |
| Next 250 Stations, each | 10.05 | \| |
| Next 500 Stations, each | 8.95 | \| |
| All Addl. Stations, each | 7.85 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

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Issued under authority of Mich. Pub. Serv. Comm. Order dated December 1, 1971, Case No. U-3838

Issued: December 4, 1971 Effective: December 4, 1971

By L. J. Haynes, Vice President

E588

Exhibit 41C

ADV [illegible] 12-6-71
TRANS. TO COMPT. OFC. 12-4-71

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Seventh Revised Sheet 39.2
Cancels Sixth Revised Sheet 39.2

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

8. Charges (Continued)

c. (1)

d. Extension Stations, each

(1) Monthly Charges
(a) Business Stations
Flat Rate Service $3.80 (I)
Measured Rate Service and Metropolitan Service $3.55 (I)

(b) Residence Stations
Same charges as applicable for Residence Flat Rate Extension Stations.

e. Minimum Charges

A Minimum monthly charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations and channel charges is applicable for each system.

f. Interbuilding Channel Charges

(1) Main Stations located in same central office (wire center) area in which the Dial Switching Equipment is located.
(a) Within Base Rate Area - No Mileage Charge
(b) Outside Base Rate Area - $0.80 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area Boundary. (I)

(2) Main Stations located in a different central office (wire center) area than the one in which the Dial Switching Equipment is located (Same Exchange or Zone).

| | Per Channel, Per Month | |
|---|---|---|
| (a) Option I | | |
| (i) Detroit Zone | | |
| (A) Terminals in same zone rate area | $ 5.45 | (I) |
| (B) Terminals in adjacent zone rate area | 10.85 | \| |
| (C) Terminals in nonadjacent zone rate areas | 16.30 | \| |
| (ii) Company except Detroit Zone | 5.45 | (I) |
| (b) Option II | | |
| (i) Between the central office in which the Dial Switching Equipment is located and the premises in which the stations are located. | | |
| (A) Basic Charge, per month | 108.50 | (I) |
| (B) Plus Channel Charges, each channel, per month | 8.70 | (I) |

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(1) Installation charges now covered in Tariff M.P.S.C. No. 1.

[illegible]

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By L. J. Haynes, Vice President
Detroit, Michigan

E589

Exhibit 41C

ADV #1192- [illegible] 12-6-71
TRANS. TO COMM. [illegible] 12-4-71

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Eighth Revised Sheet 39.4
Cancels Seventh Revised Sheet 39.4

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

B. CENTREX I - CU.SYSTEMS (Continued)

| 5. Charges | Installation Charge | Monthly Charge | |
|---|---|---|---|
| a. Attendant Positions | | | |
| (1) Consoles, per position | $217.00 | $162.75 | (I) |
| (2) Switchboards | | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | | |
| (b) Universal Type, per position | 271.25 | 189.90 | (I) |

b. Main Stations - Monthly Charges
  (1) Regular Service
    (a) Flat Rate Service

| | Rate Groups A, B and C * | Rate Group D ϕ | Rate Group E ϕ | |
|---|---|---|---|---|
| First 250 Stations, each | $6.85 | $7.90 | $8.95 | (I) |
| Next 250 Stations, each | 6.00 | 6.85 | 7.85 | \| |
| Next 500 Stations, each | 5.75 | 6.30 | 7.05 | \| |
| All Addl. Stations, each | 5.50 | 5.75 | 6.25 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

* Temporary offering in suburban Zones of the Detroit District Exchange until October 16, 1972.

ϕ Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $8.15 | (I) |
| Next 250 Stations, each | 7.05 | \| |
| Next 500 Stations, each | 5.95 | \| |
| All Addl. Stations, each | 4.90 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

| (2) Metropolitan Service | | |
|---|---|---|
| First 250 Stations, each | $10.85 | (I) |
| Next 250 Stations, each | 9.75 | \| |
| Next 500 Stations, each | 8.70 | \| |
| All Addl. Stations, each | 7.60 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

c.

d. Extension Stations, each
  (1) Monthly Charges

| | | |
|---|---|---|
| Flat Rate Service | $3.80 | (I) |
| Message Rate Service and Metropolitan Service | $3.55 | (I) |

e. Minimum Charges

A Minimum Monthly Charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and mileage charges, is applicable for each system.

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E590

1172 Exhibit 41C 12-6-71

12-4-71

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### B. CENTREX I - CU SYSTEMS (Continued)

5. Charges
   f. Channel Charges
      (1) Main Stations located in same central office area in which Dial Switching Equipment is located:
         (a) Within Base Rate Area - No Mileage Charge.
         (b) Outside Base Rate Area - $ 0.80per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Boundary. (I)
      (2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone).
      Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.
      (3) Extension Stations
      Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.
   g. Central Office Trunks
   Normal Exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.
      (1) Regular Service
      Company Except Detroit Zone
      Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.
      Detroit Zone
      Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.
      (2) Metropolitan Service
      Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.
   h. Initial Contract Period and Termination Charges
      (1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to: 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled monthly charges for the unexpired portion of the contract period based on the charges in effect at the time service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.
      (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.
      (3) Where a contract is cancelled before installation is completed a termination charge consisting of the loss in equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period, shall be applicable.

### C. CENTREX II - CO SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment is located in buildings owned or leased by the Telephone Company and the manual switching equipment is on the customer's premises.

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By L. J. Haynes, Vice President
Detroit, Michigan

TRANS. TO C

E591
Exhibit 41C

ADV. #1122 FILED WITH M.P.S.C. 12-6-72
TRANS. TO COMPT. OPERS. 12-4-72

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

## CENTREX DIAL P.B.X. SYSTEMS

### C. CENTREX II - CO SYSTEMS (Continued)

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed directly if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

5. Charges

| | Installation Charge | Monthly Charge | |
|---|---|---|---|
| a. Attendant Positions | | | |
| (1) Console, per position | $217.00 | $162.75 | (I) |
| (2) Switchboard (Universal Type), per position | 271.25 | 189.90 | (I) |

b. Main Stations - Monthly Charges
   (1) Regular Service
      (a) Flat Rate Service

| | Rate Groups A, B and C * | Rate Group D ¢ | Rate Group E ¢ | |
|---|---|---|---|---|
| First 250 Stations, each | $9.20 | $10.30 | $11.40 | (I) |
| Next 250 Stations, each | 7.60 | 8.40 | 9.50 | \| |
| Next 500 Stations, each | 7.30 | 7.85 | 8.70 | \| |
| All Addl. Stations, each | 7.05 | 7.30 | 7.85 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

*Temporary offering in suburban Zones of the Detroit District Exchange until October 16, 1972.
¢Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $10.60 | (I) |
| Next 250 Stations, each | 8.70 | \| |
| Next 500 Stations, each | 7.60 | \| |
| All Addl. Stations, each | 6.50 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

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| (2) Metropolitan Service | | |
|---|---|---|
| First 250 Stations, each | 13.30 | (I) |
| Next 250 Stations, each | 11.40 | \| |
| Next 500 Stations, each | 10.30 | \| |
| All Addl. Stations, each | 9.20 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

c. (1)

d. Extension Stations, each
   (1) Monthly Charges
      Flat Rate Service $3.80 (I)
      Measured Rate Service and Metropolitan Service $3.55 (I)

(1) Installation charges now covered in Tariff M.P.S.C. No. 1

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Detroit, Michigan

E592

Exhibit 41C

ADV. #1172- [illegible] 12-6-71

TRANS. [illegible] 12-4-71

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

C. Centrex II - CO SYSTEMS (Continued)

5. Charges

e. Station instruments are provided in color as manufactured at the charges preceding.

f. Minimum Charges:

A minimum monthly charge equal to the monthly charge for 150 main stations, excluding charges for manual switching equipment, extension stations and channel charges, is applicable for each system.

g. Channel Charges

(1) Main Stations located in same central office (wire center) area in which the Dial Switching Equipment is located:

(a) Within Base Rate Area - No Mileage Charge

(b) Outside Base Rate Area - $0.80 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary.

(2) Main Stations located in a different central office (wire center) area than the one in which the Dial Switching Equipment is located (same exchange or zone).

| | Per Channel, Per Month |
|---|---|
| (a) Option I | |
| (i) Detroit Zone | |
| (A) Main stations and Dial Switching Equipment in same zone rate area | $5.45 |
| (B) Main stations and Dial Switching Equipment in adjacent zone rate areas | 10.85 |
| (C) Main station and Dial Switching Equipment in nonadjacent zone rate areas | 16.30 |
| (ii) Company except Detroit Zone | 5.45 |

(b) Option II

(i) Between the central office in which the Dial Switching Equipment is located and the premises in which the stations are located

| | |
|---|---|
| (A) Basic Charge, per month | $108.50 |
| (B) Plus Channel Charge, each channel, per month | 8.70 |

(3) Extension Stations:
Channel charges as specified for extension stations under Interbuilding Channel Charges in this Tariff.

h. Central Office Trunks
Normal exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.

(1) Regular Service

Company Except Detroit Zone:
Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

Detroit Zone:
Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

(2) Metropolitan Service
The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

i. Initial Contract Period and Termination Charges

(1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract period based on the charges in effect at the time the service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.

(Continued)

E593

Exhibit 41C

ADV #1112 FILED WITH M.P.S.C. 12-6-71
TRANS. TO [illegible] 12-4-71

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Fifth Revised Sheet 39.8
Cancels Fourth Revised Sheet 39.8

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

C. CENTREX II - CO SYSTEMS (Continued)

5. Charges (Continued)

i. Initial Contract Period and Termination Charges

(2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.

(3) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period shall be applicable.

D. CENTREX II- CU SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment and the attendant positions are located on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed direct if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

| | Installation Charge | Monthly Charge |
|---|---|---|
| 5. Charges | | |
| a. Attendant Positions | | |
| (1) Consoles, per position | $217.00 | $162.75 |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | 271.25 | 189.90 |

b. Main Stations - Monthly Charges

(1) Regular Service

(a) Flat Rate Service

| | Rate Groups A, B and C * | Rate Group D ϕ | Rate Group E ϕ |
|---|---|---|---|
| First 250 Stations, each | $9.00 | $10.10 | $11.10 |
| Next 250 Stations, each | 7.40 | 8.20 | 9.20 |
| Next 500 Stations, each | 7.10 | 7.65 | 8.40 |
| All addl. Stations, each | 6.85 | 7.10 | 7.60 |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

* Temporary offering in suburban Zones of the Detroit District Exchange until October 16, 1972.

ϕ Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

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E594

Exhibit 41C

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TRANS. TO COMPT. OPERS. 12-9-71

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Eighth Revised Sheet 39.9
Cancels Seventh Revised Sheet 39.9

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### D. CENTREX II - CU SYSTEMS (Continued)

5. Charges
   b. Main Stations - Monthly Charges (Continued)
      (1) Regular Service
         (b) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $10.30 | (I) |
| Next 250 Stations, each | 8.40 | \| |
| Next 500 Stations, each | 7.30 | \| |
| All Addl. Stations, each | 6.25 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

(2) Metropolitan Service

| | | |
|---|---|---|
| First 250 Stations, each | $13.00 | (I) |
| Next 250 Stations, each | 11.10 | \| |
| Next 500 Stations, each | 10.05 | \| |
| All Addl. Stations, each | 8.95 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

c. (1)

d. Extension Stations, each

(1) Monthly Charges

| | | |
|---|---|---|
| Flat Rate Service | $3.80 | (I) |
| Message Rate Service and Metropolitan Service | $3.55 | (I) |

e. Station instruments are provided in color as manufactured or in black without additional charge.

f. Minimum Charges

A minimum monthly charge equal to the monthly charge for 150 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and channel charges, is applicable for each system.

g. Channel Charges
   (1) Main Stations located in same central office area in which dial switching equipment is located:
      (a) Within Base Rate Area - No Mileage Charge.
      (b) Outside Base Rate Area - $0.80 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary. (I)

   (2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone):

      Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

   (3) Extension Stations:
      Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

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(1) Installation charges now covered in Tariff M.P.S.C. No. 1.

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Exhibit 41C

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TRANS. TO COMM. OPERS. 12-4-71

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### MOVES AND CHANGES OF PRIVATE BRANCH EXCHANGE SYSTEMS

A. MOVES

1. Class A and Class B P.B.X. Systems:
For the move of the attendant positions, the charges applicable are the installation charges for (T)
attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines,
station lines associated with key instruments and single line instruments associated with the
system. No additional charge applies for single line instruments moved and/or changed at the same
time. (T)

2. Series 40 (20-40 Dial Pak) P.B.X. Systems:
   a. For a move of the apparatus cabinet, the basic service installation charge is applicable.
   b. For a move of the attendant position, the installation charge for a Call Director is applicable.

3. Series 75 P.B.X. Systems:
For the move of the apparatus cabinet the charges applicable are the system installation charge,
establishment of service charges for all trunks, WATS lines, tie lines, station lines associated (T)
with key instruments and single line instruments associated with the system. No additional charge
applies for single line instruments moved and/or changed at the same time. (T)

4. Series 90 (Guest Dial Pak) P.B.X. Systems:
   a. For the move of the apparatus cabinet only or a move of the apparatus cabinet and the attendant
   position, the basic service installation charge and the establishment of service charges for all (T)
   trunks and station instruments are applicable. (T)
   b. For a move of the attendant position only: $32.55 (I)

5. Series 160 P.B.X. Systems:
   a. For the move of an Attendant Set: $27.15
   b. For the move of a Switchboard: $81.40 (I)
   c. The system installation charge and the establishment of service charges for all trunks, WATS (T)
   lines, tie lines, station lines associated with key instruments and single line instruments (T)
   associated with the system are applicable for:
      (1) A move of the apparatus cabinet only.
      (2) A move of the apparatus cabinet and the attendant positions.
      (3) A move of the apparatus cabinet with a change of the attendant positions.
      (4) A move of the apparatus cabinet with a move and a change of the attendant positions.
      (5) No additional charge applies for single line instruments moved and/or changed at the same (T)
      time.

6. Class C, Series 100, Series 200, Series 300, Centrex I, and Centrex II P.B.X. Systems:
   a. Attendant positions only:
   Charges based on cost not to exceed the installation charges for the attendant positions and the (T)
   establishment of service charges for all trunks, WATS lines, tie lines, station lines associated
   with key instruments and single line instruments associated with the system. If the charge
   applicable for the move equals the full establishment of service and installation charges, no
   additional charge applies for single line instruments moved and/or changed at the same time. (T)
   The existing contract will be continued.

   b. Dial switching equipment only or dial switching equipment and attendant positions:
   Termination Charges are applicable to the entire system if the contract has not expired. Also
   applicable are the installation charges for the attendant positions and the establishment of (T)
   service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system. No additional charge applies for
   single line instruments moved and/or changed at the same time. A new contract is applicable for (T)
   the system at the new location.

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E596

Exhibit 41C

ADV. #1122 FILED WITH M.P.S.C. 12-6-71
TRANS. TO [illegible] 12-7-71

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Third Revised Sheet 40.1
Cancels Second Revised Sheet 40.1

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

MOVES AND CHANGES OF PRIVATE BRANCH EXCHANGE SYSTEMS

B. CHANGES

1. Manual P.B.X. Systems:
   a. Change from a Manual P.B.X. System to another Manual P.B.X. System or to a Dial P.B.X. System (without a move of the attendant position) or
   b. Change from one type attendant position to another type attendant position on the same system (without a move):

Termination charges are applicable if the contract has not expired. The charges applicable are
the installation charges for the new system or attendant positions and the establishment of (T)
service charges for all trunks, WATS lines, tie lines, station lines associated with key instru-
ments and single line instruments added at the time of the change. A new contract is applicable (T)
for the new system or attendant position/s.

2. Dial P.B.X. Systems:
   a. Change from one dial P.B.X. system to another dial P.B.X. system or to a manual P.B.X. system (without move of dial switching equipment and/or attendant positions):

Termination Charges are applicable to the entire system if the contract has not expired.
Also applicable are the installation charges for the new system or attendant positions and (T)
the establishment of service charges for all trunks, WATS lines, tie lines, station lines
associated with key instruments and single line instruments associated with the new system. (T)
No additional charge applies for single line instruments moved and/or changed at the same
time. A new contract is applicable for the new system. The following exception will apply:

If a change is made from one system to another among the Series 100, Series 200, Series 300,
Centrex I - CU and Centrex II - CU systems and the dial switching equipment and attendant
positions are retained at the same location and the dial switching equipment is modified,
the charge will be based on cost not to exceed the establishment of service charges as (T)
specified above. No termination charge is applicable unless the attendant positions are
changed in which case termination charges apply for the discontinued attendant positions.
If the charge applicable for the change equals the full establishment of service charges
and installation charges, no additional charge applies for single line instruments moved
and/or changed at the same time. A new contract is applicable for the new system. (T)

   b. Change of dial switching equipment without a change from one Series to another:
      (1) To increase the station capacity of the system as required by growth:

      No charge is applicable. Existing contract will be continued.

      (2) For reasons other than growth:

      Series 90, Series 200, Series 300, Centrex I - CU and Centrex II - CU Systems:

Termination Charges are applicable to the entire system if the contract has not expired.
Also applicable are the installation charges for the attendant positions and the establish- (T)
ment of service charges for all trunks, WATS lines, tie lines, station lines associated with
key instruments and single line instruments associated with the new system. No additional
charge applies for single line instruments moved and/or changed at the same time. A new (T)
contract is applicable for the new system.

      (3) To change service features:

      Series 160 Systems -

(a) To change from a system without attendant direct station selection to a system with
attendant direct station selection: $162.75. The existing contract will be continued. (I)

(b) To change from a system with attendant direct station selection to a system without attendant direct station selection, no charge is applicable. The existing contract will be continued.

(Continued)

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By L. J. Haynes, Vice President
Detroit, Michigan

E597

Exhibit 41C

ADV. #1122 FILED WITH M.P.S.C. 12-6-71
TRANS. [illegible] 12-4-71

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

MOVES AND CHANGES OF PRIVATE BRANCH EXCHANGE SYSTEMS

B. CHANGES

2. Dial P.B.X. Systems: (Continued)
    - c. Change from one attendant position to another:
        - (1) Series 40 (20-40 Dial Pak)
          Change charges as applicable for Call Directors.
        - (2) Series 90 (Guest Dial Pak)
          For a change in the color of an attendant position: $32.55 (I)
          For a change in the color of a station instrument, a change charge is applicable. (T)
        - (3) Series 160
            - (a) For a change from a Console to a Key Attendant Set, Key Attendant Set to a Console, or from a Switchboard to a Console or Key Attendant Set: $27.15 (I)
            - (b) For a change from a Console or Key Attendant Set to a Switchboard: $81.40
            - (c) For a change in color of a Console: $27.15 (I)
            - (d) For a change of a console with direct station selection to another console with direct station selection to increase or decrease capacity, no charge is applicable. The existing contract will be continued.
            - (e) For a change of a console without direct station selection to another console without direct station selection to increase or decrease capacity, no charge is applicable. The existing contract will be continued.
        - (4) Series 100, Series 200, Series 300, Centrex I and Centrex II:
            - (a) For a change from a switchboard to a different type switchboard, from a switchboard to a console or from a console to a switchboard:

              Termination charges are applicable for the attendant positions if the contract has not expired. Also applicable are charges based on cost not to exceed the installation charges for attendant positions and the establishment of service charges for all trunks, (T) WATS lines, tie lines, station lines associated with key instruments and single line instruments. If the charge applicable for the change equals the full establishment of service and installation charges, no additional charge applies for single line instruments moved and/or changed at the same time. A new contract is applicable for the new (T) attendant positions.
            - (b) For a change from one type console to another type console with different features:
              Charges based on cost not to exceed the installation charges for attendant positions and the establishment of service charges for trunks, WATS lines, tie lines, station lines (T) associated with key instruments and single line instruments associated with the system. (T) The existing contract will be continued.
            - (c) For a change of a console to another console of the same type with the same features to increase or decrease capacity, no charge is applicable. The existing contract will be continued.

C. MOVE AND CHANGE AT THE SAME TIME

1. Class A and Class B Systems:
   The charges applicable are the installation charges for the new attendant position and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key (T) instruments and single line instruments. No additional charge applies for single line instruments moved and/or changed at the same time. (T)

2. Series 40 (20-40 Dial Pak)
   Attendant Positions:
   The installation charge for a Call Director is applicable.

3. Series 90 (Guest Dial Pak)
   a. Attendant positions only: $32.55 (I)

(Continued)

E598

Exhibit 41C

ADV. #1122 FILED WITH M.P.S.C. 12-6-72
TRANS. [illegible] 12-4-72

Second Revised Sheet 40.3
Cancels First Revised Sheet 40.3

## MOVES AND CHANGES OF PRIVATE BRANCH EXCHANGE SYSTEMS

### C. MOVE AND CHANGE AT THE SAME TIME (Continued)

4. Series 160
   a. Attendant Positions only.
      (1) Change to a console or a key attendant set with a move: $27.15 (I)
      (2) Change to a switchboard with a move: $81.40 (I)
   b. Dial switching equipment only or dial switching equipment and attendant positions:
      The charges applicable are the installation charges for the system and the establishment of (T)
      service charges for all trunks, WATS lines, tie lines, station lines associated with key
      instruments and single line instruments at the new location. No additional charge applies for
      single line instruments moved and/or changed at the same time. (T)

5. Class C, Series 100, Series 200, Series 300, Centrex I and Centrex II:
   a. Attendant positions only.
      Termination charges are applicable for the attendant positions if the contract has not expired.
      Also applicable are charges based on cost not to exceed the installation charges for attendant
      positions and the establishment of service charges for all trunks, WATS lines, tie lines, (T)
      station lines associated with key instruments and single line instruments associated with the
      system. If the charge applicable for the move and change equals the full establishment of
      service and installation charges, no additional charge applies for single line instruments
      moved and/or changed at the same time. A new contract is applicable for the new attendant (T)
      positions.
   b. Dial switching equipment only or dial switching equipment and attendant positions.
      (1) Except as provided in (2) following, termination charges are applicable to the entire
      system if the contract has not expired. Also applicable are the establishment of service (T)
      charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system. No additional charge applies
      for single line instruments moved and/or changed at the same time. A new contract is (T)
      applicable for the system at the new location.
      (2) For a move and a change of dial switching equipment within a Series to increase the station capacity of the system as required by growth, no charge is applicable. Existing contract will be continued.

6. Change in type of system with a move of either attendant positions and/or dial switching equipment:
   Termination charges are applicable to the entire system if the contract has not expired. Also
   applicable are the installation charges for attendant positions and the establishment of service (T)
   charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and
   single line instruments associated with the new system. No additional charge applies for single
   line instruments moved and/or changed at the same time. A new contract is applicable for the new (T)
   system.

E599
Exhibit 41C

ADV. #1192 FILED WITH M.P.S.C. 12-6-71
TRANS. TO COMPL. ON 12-4-71

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Third Revised Sheet 41
Cancels Second Revised Sheet 41

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### SPECIAL P.B.X. FEATURES

### A. TOLL DIVERSION ARRANGEMENTS

1. Toll diversion arrangements are available to divert station users from long distance and interzone access codes as indicated herein.

2. Type I (Former Type I and Type II combined as a single offering)

   a. Type I Toll Diversion is available with Services 100, 200, 300 and Class E, Type II dial P.B.X. Systems where facility conditions permit.

   b. Two classes of toll diversion are available: (1) to divert all long distance and interzone calls and (2) to divert all long distance calls only.

   c. When a station user attempts to dial a restricted call the call will be diverted. Depending upon the circumstances, and facilities available, the call will be diverted to a distinctive tone, a recorded announcement, or to the P.B.X. operator. If the P.B.X. is equipped with Toll Terminals, long distance calls may be placed directly by the station user by dialing a preset code.

   d. The service may be provided with or without message registers. Message registers are located on the premises of the customer and one register is associated with each station so equipped to record the number of local calls placed.

   e. Charges

      (1) The charges indicated below are in addition to all charges applicable to the class and type of telephone service with which the features are associated and for any miscellaneous services provided.

| | Installation Charge | Monthly Charge | |
|---|---|---|---|
| (2) Toll Diversion | | | |
| First 25 Trunks (or less) equipped | $10.00* per trunk | $81.40 | (I) |
| Each additional trunk equipped | 10.00* | 3.25 | (I) |

If the customer has both classes of toll diversion as described in b. preceding the above charges apply for each class of toll diversion.

* Not applicable if installed at the same time as the P.B.X. System.

(3) Message Registers

| | Installation Charge | Monthly Charge | |
|---|---|---|---|
| Common Equipment | $10.00* | $21.70 | (I) |
| Each P.B.X. station equipped with message registers | 10.00# | 0.55 | (I) |

* Not applicable if installed at the time Toll Diversion is installed.
# Not applicable if installed at the time Common Equipment is installed or at the time a station is installed.

PROTECTED

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By L. J. Haynes, Vice President

E600

Exhibit 41C

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TRANS. TO COMM. ON 12-9-71

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

SPECIAL P.B.X. FEATURES

A. TOLL DIVERSION ARRANGEMENTS (Continued)

2. Type I (Former Type I and Type II combined as a single offering) (Continued)

e. Charges (Continued)

(4) Initial Contract Period and Termination Charges

The initial contract period for the initial twenty-five trunks (or less) for each class of toll diversion provided and the common equipment for message registers is three years in the same building starting with the date service is established. In the event of discontinuance of a class of toll diversion or common equipment for message registers, termination charges are applicable and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract.

Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in the preceding paragraph.

Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled charges for the 3-year period, shall be applicable.

(5) Moves

For a move of a cabinet housing the message registers or a move of the common equipment, charges Based on Cost apply.

3. Type II: (Formerly Type III - Previous Type II now combined with Type I)
   a. Type II Toll Diversion is available with Centrex I and Centrex II P.B.X. stations.
   b. Two classes of toll diversion are available: (1) to divert all long distance and interzone calls outside the local calling area and (2) to divert all long distance calls only.
   c. When a station equipped with toll diversion dials a restricted code, the call will be diverted to a distinctive tone to indicate that such calls cannot be dialed from that station.
   d. The charges specified herein are not applicable to those specific stations arranged for toll diversion as of October 15, 1962 for systems installed prior to April 18, 1961.
   e. Charges
      (1) The charges indicated below are in addition to the regular charges for stations.
      (2) Centrex I and Centrex II stations, excluding Centrex I-CO residence stations:

(a) Charges

| | Installation Charge | Monthly Charge | |
|---|---|---|---|
| Up to and including 100 stations equipped for toll diversion | - | $54.25(I) | |
| Additional Stations, each | $10.00 | 0.55 | (I) |

If the customer has both classes of toll diversion as described in b. preceding, the above charges apply for each class of toll diversion.

* Not applicable if installed at the same time as the P.B.X. System or at the same time a P.B.X. Station is added.

(b) Initial Contract Period and Termination Charges

The initial contract period for the initial 100 stations or less for each class of toll diversion is three years.
Termination charges applicable in the event of discontinuance of a class of toll diversion prior to the expiration of the initial contract period shall be an amount equal to 50% of the unbilled monthly charges for the initial 100 stations (or less) for the unexpired portion of the contract period.

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E601

Exhibit 41C

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TRANS. TO COMM. O[illegible] 12-4-71

## SPECIAL P.B.X. FEATURES

### A. TOLL DIVERSION ARRANGEMENTS (Continued)

3. Type II: (Formerly Type III - Previous Type II now combined with Type I) (Continued)
   - e. Charges (Continued)
     - (3) Centrex I-CO Residence Stations
       - (a) At the time service is established and at the beginning of a new school year, term, or semester no charge is applicable to provide or to remove Toll Diversion on residence centrex stations.
       - (b) Provision of Toll Diversion at a time other than specified in (a) preceding. A nonrecurring charge of $2.70 applies for each station changed to Toll Diversion, except that no charge is applicable where the Telephone Company initiates such a change involving a delinquent account under the Special Toll Billing Arrangement. (I)
       - (c) Removal of Toll Diversion at a time other than specified in (a) preceding. No charge is applicable for removal of Toll Diversion except as indicated in the following:
         Where the Telephone Company has placed the service on Toll Diversion because of a delinquent account and subsequently the account is reinstated for the Special Toll Billing Arrangement a nonrecurring charge of $2.70 applies for the removal of Toll Diversion. (I)

### B. MESSAGE WAITING SERVICE

1. Message Waiting Service is available where facility conditions permit on either dial or manual P.B.X. systems.
2. This feature consists of a neon lamp mounted on a desk type telephone instrument or a Princess telephone set which lights upon operation of a key contained in an appropriate cabinet, located near the P.B.X. operator. When the lamp is lit it indicates that there is a message waiting for the station user.
3. Charges -
   - a. The charges indicated below are in addition to all charges applicable to the class and type of telephone service with which the feature is associated, for Princess telephone sets and for any miscellaneous services provided.

| | Installation Charge | Monthly Charge | |
|---|---|---|---|
| b. Common Equipment, each System | $108.50 | $27.15 | (I) |
| c. Each P.B.X. dial station equipped | 10.00#(I) | 0.25 | |

# The installation charge is not applicable when message waiting service is installed at the same time as message registers and toll diversion or at the time a P.B.X. station is installed.

   - d. Initial Contract Period and Termination Charges
     - (1) The initial contract period is five years in the same building starting with the date service is established. Termination Charges will apply to the Common Equipment and the number of Message Waiting Features specified in the initial contract. In the event of complete discontinuance of this service prior to the expiration of the contract period a Termination Charge is applicable and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract period based on the charges in effect at the time the contract period began.
     - (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the Termination Charge shall be applicable as specified above.
     - (3) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled charges for the 5-year period, shall be applicable.
   - e. Moves -
     For a move of a cabinet housing the message waiting keys or a move of the common equipment, charges Based on Cost apply.

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E602

Exhibit 41C

REV. # 1173 [illegible] C. 12-3-71

TRANS. [illegible]

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

7. Residence Stations are furnished to the college or university upon the condition that use of the service shall not be made subject to any charge by the college or university in excess of the charges of the Telephone Company.

| 8. Charges | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Console, per position | $200.00 | $150.00 |
| (2) Switchboard (Universal Type), per position | 250.00 | 175.50 |

b. Main Stations - Monthly Charges
  (1) Regular Service
    (a) Business Stations
      (i) Flat Rate Service

| | Rate Groups A, B and C* | Rate Group Dø | Rate Group Eø | |
|---|---|---|---|---|
| First 250 Stations, each | $ 6.50 | $ 7.50 | $ 8.50 | (T) |
| Next 250 Stations, each | 5.75 | 6.50 | 7.50 | |
| Next 500 Stations, each | 5.50 | 6.00 | 6.75 | |
| All Addl. Stations, each | 5.25 | 5.50 | 6.00 | |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

*Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972. (N)

øTemporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

(ii) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| | | (N) |
| First 250 Stations, each | $ 7.75 | |
| Next 250 Stations, each | 6.75 | |
| Next 500 Stations, each | 5.75 | |
| All Addl. Stations, each | 4.75 | |

The stations have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

(b) Residence Stations

(i) Non-restricted residence stations are provided at a charge which is $0.20 less than the charge for Residence Individual Line Flat Rate Service in the various Exchanges and Zones as specified in Tariff M.P.S.C. No. 1. This charge provides the same Local Service Area calling privileges and message charges as are applicable for Individual Line Flat Rate Service.

Special Toll Billing Arrangement

For residence stations furnished in university-provided housing where the Telephone Company assumes the responsibility of collecting from the individual users and bills toll charges directly to the stations, a special toll billing arrangement charge of $0.20 applies for each statement rendered.

(ii) Restricted residence stations are provided at a charge of $3.25 each per month.

(2) Metropolitan Service

| | |
|---|---|
| First 250 Stations, each | $10.25 |
| Next 250 Stations, each | 9.25 |
| Next 500 Stations, each | 8.25 |
| All Addl. Stations, each | 7.25 |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

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E603
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TRANS. TO COMPT. OFCS.

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

B. CENTREX I - CU SYSTEMS (Continued)

| | Installation Charge | Monthly Charge |
|---|---|---|
| 5. Charges | | |
| a. Attendant Positions | | |
| (1) Consoles, per position | $200.00 | $150.00 |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | 250.50 | 175.00 |

b. Main Stations - Monthly Charges
(1) Regular Service
(a) Flat Rate Service

| | Rate Groups A, B and C* | Rate Group Dø | Rate Group Eø | |
|---|---|---|---|---|
| | | | | (T) |
| First 250 Stations, each | $6.30 | $7.30 | $8.25 | |
| Next 250 Stations, each | 5.55 | 6.30 | 7.25 | |
| Next 500 Stations, each | 5.30 | 5.80 | 6.50 | |
| All Addl. Stations, each | 5.05 | 5.30 | 5.75 | |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

(N)

* Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972.

ø Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

(N)

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $7.50 |
| Next 250 Stations, each | 6.50 |
| Next 500 Stations, each | 5.50 |
| All Addl. Stations, each | 4.50 |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

| (2) Metropolitan Service | |
|---|---|
| First 250 Stations, each | $10.00 |
| Next 250 Stations, each | 9.00 |
| Next 500 Stations, each | 8.00 |
| All Addl. Stations, each | 7.00 |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

c.

d. Extension Stations, each
(1) Monthly Charges

| | |
|---|---|
| Flat Rate Service | $3.50 |
| Message Rate Service and Metropolitan Service | $3.25 |

(2)

e. Minimum Charges
A minimum Monthly Charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and mileage charges, is applicable for each system.

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By L. J. Haynes, Vice President
Detroit, Michigan

E604

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TRANS. TO COMPT. O. E. S.

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### C. CENTREX II - CO SYSTEMS (Continued)

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed directly if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

5. Charges

| a. Attendant Positions | Installation Charge | Monthly Charge |
|---|---|---|
| (1) Console, per position | $200.00 | $150.00 |
| (2) Switchboard (Universal Type), per position | 250.00 | 175.00 |

b. Main Stations - Monthly Charges
   (1) Regular Service
      (a) Flat Rate Service

| | Rate Groups A, B and C* | Rate Group D ∅ | Rate Group E ∅ | (T) |
|---|---|---|---|---|
| First 250 Stations, each | $8.50 | $9.50 | $10.50 | |
| Next 250 Stations, each | 7.00 | 7.75 | 8.75 | |
| Next 500 Stations, each | 6.75 | 7.25 | 8.00 | |
| All Addl. Stations, each | 6.50 | 6.75 | 7.25 | |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

*Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972. (N)

∅Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange | (N) |
|---|---|---|
| First 250 Stations, each | $ 9.75 | |
| Next 250 Stations, each | 8.00 | |
| Next 500 Stations, each | 7.00 | |
| All Addl. Stations, each | 6.00 | |

The stations have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

| (2) Metropolitan Service | |
|---|---|
| First 250 Stations, each | $12.25 |
| Next 250 Stations, each | 10.50 |
| Next 500 Stations, each | 9.50 |
| All Addl. Stations, each | 8.50 |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

c. (1)

d. Extension Stations, each
   (1) Monthly Charges
      Flat Rate Service $3.50
      Measured Rate Service and Metropolitan Service $3.25

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(1) Installation charges now covered in Tariff M.P.S.C. No. 1

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By L. J. Haynes, Vice President
Detroit, Michigan

E605

Exhibit 41C

ADV. #1173 FILED WITH M.P.S.C. 12-3-71
TRANS. TO COMPT. OPERS.

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

C. CENTREX II - CO SYSTEMS (Continued)

5. Charges (Continued)
   i. Initial Contract Period and Termination Charges
      (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.
      (3) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period shall be applicable.

D. CENTREX II - CU SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment and the attendant positions are located on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed direct if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

| 5. Charges | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Consoles, per position | $200.00 | $150.00 |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | $250.00 | $175.00 |

b. Main Stations - Monthly Charges
   (1) Regular Service
      (a) Flat Rate Service

| | Rate Groups A, B and C* | Rate Group D ø | Rate Group E ø | (T) |
|---|---|---|---|---|
| First 250 Stations, each | $8.30 | $9.30 | $10.25 | |
| Next 250 Stations, each | 6.80 | 7.55 | 8.50 | |
| Next 500 Stations, each | 6.55 | 7.05 | 7.75 | |
| All addl. Stations, each | 6.30 | 6.55 | 7.00 | |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

* Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972. (N)

ø Temporary offering until October 16, 1972 in suburban zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges. (N)

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Exhibit 41C

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TRANS. TO COMPT. OPERS.

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

D. CENTREX II - CU SYSTEMS (Continued)

5. Charges
   b. Main Stations - Monthly Charges (Continued)
      (1) Regular Service
         (b) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| | | (N) |
| First 250 Stations, each | $ 9.50 | (N) |
| Next 250 Stations, each | 7.75 | |
| Next 500 Stations, each | 6.75 | |
| All Addl. Stations, each | 5.75 | |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

(2) Metropolitan Service

| | |
|---|---|
| First 250 Stations, each | $12.00 |
| Next 250 Stations, each | 10.25 |
| Next 500 Stations, each | 9.25 |
| All Addl. Stations, each | 8.25 |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

c. (1)

d. Extension Stations, each
   (1) Monthly Charges

| | |
|---|---|
| Flat Rate Service | $3.50 |
| Message Rate Service and Metropolitan Service | $3.25 |

e. Station instruments are provided in color as manufactured or in black without additional charge.

f. Minimum Charges

A minimum monthly charge equal to the monthly charge for 150 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and channel charges, is applicable for each system.

g. Channel Charges
   (1) Main Stations located in same central office area in which dial switching equipment is located:
      (a) Within Base Rate Area - No Mileage Charge.
      (b) Outside Base Rate Area - $0.75 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary.

   (2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone):

      Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

   (3) Extension Stations:
      Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

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(1) Installation charges now covered in Tariff M.P.S.C. No. 1.

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

13th Revised Sheet 39.1
Cancels 12th Revised Sheet 39.1

E607
Exhibit 41C

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

7. Residence Stations are furnished to the college or university upon the condition that use of the service shall not be made subject to any charge by the college or university in excess of the charges of the Telephone Company.

8. Charges

| | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Console, per position | $223.30 | $167.45 |
| (2) Switchboard (Universal Type), per position | 279.10 | 195.35 |

b. Main Stations - Monthly Charges
  (1) Regular Service
    (a) Business Stations
      (i) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group D∅ |
|---|---|---|
| First 250 Stations, each | $7.25 ($4.85*) | $8.35 ($5.30*) |
| Next 250 Stations, each | 6.40 ( 4.45*) | 7.25 ( 4.85*) |
| Next 500 Stations, each | 6.15 ( 4.60*) | 6.70 ( 4.65*) |
| All Add'l Stations, each | 5.85 ( 4.90*) | 6.15 ( 4.65*) |

(D)

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Not offered in zones of Detroit District Exchange. (C)
∅ Not offered in zones of Detroit District Exchange. Offered on a temporary basis in other Group D exchanges and zones until October 16, 1973. (C)

(ii) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $8.65 ($7.15*) |
| Next 250 Stations, each | 7.55 ( 6.20*) |
| Next 500 Stations, each | 6.40 ( 5.15*) |
| All Add'l Stations, each | 5.30 ( 4.35*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

~~* Amount applicable for the Intercommunication portion of the service.~~

(b) Residence Stations
  (i) Non-restricted residence stations are provided at a charge which is $0.20 less than the charge for Residence Individual Line Flat Rate Service in the various Exchanges and Zones as specified in Tariff M.P.S.C. No. 1. This charge provides the same Local Service Area calling privileges and message charges as are applicable for Individual Line Flat Rate Service.

Special Toll Billing Arrangement
For residence stations furnished in university-provided housing where the Telephone Company assumes the responsibility of collecting from the individual users and bills toll charges directly to the stations, a special toll billing arrangement charge of $0.20 applies for each statement rendered.

  (ii) Restricted residence stations are provided at a charge of $3.35 each per month.

Certain material previously on this sheet now appears on Sheet 39.2

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Issued under authority of Mich. Pub. Serv. Comm. Order dated October 16, 1970, Case No. U-3204

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Effective: October 16, 1972

By L. J. Haynes, Vice President

E608
Exhibit 41C

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

ADV. #1191 FILED WITH M.P.S.C. 5-1-72
TRANS. TO COMPT. OPERS. 4-29-72

CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

7. Residence Stations are furnished to the college or university upon the condition that use of the service shall not be made subject to any charge by the college or university in excess of the charges of the Telephone Company.

8. Charges

| | Installation Charge | Monthly Charge | |
|---|---|---|---|
| a. Attendant Positions | | | |
| (1) Console, per position | $223.30 | $167.45 | (I) |
| (2) Switchboard (Universal Type), per position | 279.10 | 195.35 | (I) |

b. Main Stations - Monthly Charges
(1) Regular Service
(a) Business Stations
(i) Flat Rate Service

| | Rate Groups A, B and C# | Rate Group Dø | Rate Group Eø | |
|---|---|---|---|---|
| First 250 Stations, each | $ 7.25 | $8.35 | $9.50 | (I) |
| Next 250 Stations, each | 6.40 | 7.25 | 8.35 | \| |
| Next 500 Stations, each | 6.15 | 6.70 | 7.55 | \| |
| All Addl. Stations, each | 5.85 | 6.15 | 6.70 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

#Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972.

øTemporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

(ii) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $8.65 | (I) |
| Next 250 Stations, each | 7.55 | \| |
| Next 500 Stations, each | 6.40 | \| |
| All Addl. Stations, each | 5.30 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

(b) Residence Stations

(i) Non-restricted residence stations are provided at a charge which is $0.20 less than the charge for Residence Individual Line Flat Rate Service in the various Exchanges and Zones as specified in Tariff M.P.S.C. No. 1. This charge provides the same Local Service Area calling privileges and message charges as are applicable for Individual Line Flat Rate Service.

Special Toll Billing Arrangement

For residence stations furnished in university-provided housing where the Telephone Company assumes the responsibility of collecting from the individual users and bills toll charges directly to the stations, a special toll billing arrangement charge of $0.20 applies for each statement rendered.

(ii) Restricted residence stations are provided at a charge of $3.35 each per month. (I)

(2) Metropolitan Service

| | | |
|---|---|---|
| First 250 Stations, each | $11.45 | (I) |
| Next 250 Stations, each | 10.35 | \| |
| Next 500 Stations, each | 9.20 | \| |
| All Addl. Stations, each | 8.10 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

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By L. J. Haynes, Vice President
Detroit, Michigan

E609
Exhibit 41C

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

ADV. #1191 FILED WITH M.P.S.C. 5-1-72
TRANS. TO COMPT. OPERS. 4-29-72

CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

8. Charges (Continued) (1)
  c.
  d. Extension Stations, each

    (1) Monthly Charges
      (a) Business Stations (I)
        Flat Rate Service $3.90 (I)
        Measured Rate Service and Metropolitan Service $3.65

      (b) Residence Stations
        Same charges as applicable for Residence Flat Rate Extension Stations.

  e. Minimum Charges

A Minimum monthly charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations and channel charges is applicable for each system.

  f. Interbuilding Channel Charges

    (1) Main Stations located in same central office (wire center) area in which the Dial Switching Equipment is located.
      (a) Within Base Rate Area - No Mileage Charge (I)
      (b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area Boundary.

    (2) Main Stations located in a different central office (wire center) area than the one in which the Dial Switching Equipment is located (Same Exchange or Zone).

| | Per Channel, Per Month | |
|---|---|---|
| (a) Option I | | |
| (i) Detroit Zone | | |
| (A) Terminals in same zone rate area | $ 5.60 | (I) |
| (B) Terminals in adjacent zone rate area | 11.15 | \| |
| (C) Terminals in nonadjacent zone rate areas | 16.75 | (I) |
| (ii) Company except Detroit Zone | 5.60 | |
| (b) Option II | | |
| (i) Between the central office in which the Dial Switching Equipment is located and the premises in which the stations are located. | | |
| (A) Basic Charge, per month | $111.65 | (I) |
| (B) Plus Channel Charges, each channel, per month | 8.95 | (I) |

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(1) Installation charges now covered in Tariff M.P.S.C. No. 1.

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By L. J. Haynes, Vice President
Detroit, Michigan

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

E610
Exhibit 41C

Ninth Revised Sheet 39.4
Cancels Eighth Revised Sheet 39.4

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

ADV. #112 FILED WITH M.P.S.C. 5-1-
TRANS. TO COMPT. OPERS. 4-29-

CENTREX DIAL P.B.X. SYSTEMS

B. CENTREX I - CU SYSTEMS (Continued)

5. Charges

| | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Consoles, per position | $223.30 | $167.45 |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | 279.10 | 195.35 |

b. Main Stations - Monthly Charges
(1) Regular Service
(a) Flat Rate Service

| | Rate Groups | Rate Group Dø | Rate Group Eø |
|---|---|---|---|
| First 250 Stations, each | [illegible] | $8.15 | $9.20 |
| Next 250 Stations, each | [illegible] | 7.05 | 8.10 |
| Next 500 Stations, each | 5.[illegible] | 6.50 | 7.25 |
| All Addl. Stations, each | 5.65 | 5.90 | 6.40 |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972.

ø Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $ 8.35 |
| Next 250 Stations, each | 7.25 |
| Next 500 Stations, each | 6.15 |
| All Addl. Stations, each | 5.00 |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

| (2) Metropolitan Service | |
|---|---|
| First 250 Stations, each | $11.15 |
| Next 250 Stations, each | 10.05 |
| Next 500 Stations, each | 8.95 |
| All Addl. Stations, each | 7.80 |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

c.

d. Extension Stations, each
(1) Monthly Charges
Flat Rate Service $3.90
Message Rate Service and Metropolitan Service $3.65

e. Minimum Charges
A minimum Monthly Charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and mileage charges, is applicable for each system.

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By L. J. Haynes, Vice President
Detroit, ichigan

E611
Exhibit 41C

ADV. #119 FILED WITH M.P.S.C. 5-1-72
TRANS. TO COMPT. OPERS. 4-29-72

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

B. CENTREX I - CU SYSTEMS (Continued)

5. Charges
   f. Channel Charges
      (1) Main Stations located in same central office area in which Dial Switching Equipment is located:
         (a) Within Base Rate Area - No Mileage Charge.
         (b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Boundary. (I)
      (2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone). Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.
      (3) Extension Stations
      Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.
   g. Central Office Trunks
   Normal Exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.
      (1) Regular Service
      Company Except Detroit Zone
      Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.
      Detroit Zone
      Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.
      (2) Metropolitan Service
      Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.
   h. Initial Contract Period and Termination Charges
      (1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to: 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled monthly charges for the unexpired portion of the contract period based on the charges in effect at the time service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.
      (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.
      (3) Where a contract is cancelled before installation is completed a termination charge consisting of the loss in equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period, shall be applicable.

C. CENTREX II - CO SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment is located in buildings owned or leased by the Telephone Company and the manual switching equipment is on the customer's premises.

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By L. J. Haynes, Vice President
Detroit, Michigan

E612

Exhibit 41C

ADV. #1191 FILED WITH M.P.S.C. 5-1-72

TRANS. TO COMPT. OPERS. 4-29-72

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

C. CENTREX II - CO SYSTEMS (Continued)

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed directly if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

5. Charges
   a. Attendant Positions

| | Installation Charge | Monthly Charge | |
|---|---|---|---|
| (1) Console, per position | $223.30 | $167.45 | (I) |
| (2) Switchboard (Universal Type), per position | 279.10 | 195.35 | (I) |

   b. Main Stations - Monthly Charges
      (1) Regular Service
         (a) Flat Rate Service

| | Rate Groups A, B and C# | Rate Group D ⌀ | Rate Group E ⌀ | |
|---|---|---|---|---|
| First 250 Stations, each | $ 9.50 | $10.60 | $11.70 | (I) |
| Next 250 Stations, each | 7.80 | 8.65 | 9.75 | |
| Next 500 Stations, each | 7.55 | 8.10 | 8.95 | |
| All Addl. Stations, each | 7.25 | 7.55 | 8.10 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

#Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972.

⌀Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $10.90 | (I) |
| Next 250 Stations, each | 8.95 | |
| Next 500 Stations, each | 7.80 | |
| All Addl. Stations, each | 6.70 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

| (2) Metropolitan Service | | |
|---|---|---|
| First 250 Stations, each | $13.70 | (I) |
| Next 250 Stations, each | 11.70 | |
| Next 500 Stations, each | 10.60 | |
| All Addl. Stations, each | 9.50 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

c. (1)

d. Extension Stations, each
   (1) Monthly Charges (I)
      Flat Rate Service $3.90 (I)
      Measured Rate Service and Metropolitan Service $3.65

---

(1) Installation charges now covered in Tariff M.P.S.C. No. 1

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By L. J. Haynes, Vice President
Detroit, Michigan

E613
Exhibit 41C

ADV. #1191 FILED WITH M.P.S.C. 5-1-72
TRANS. TO COMPT. OPERS. 4-29-72

Fifth Revised Sheet 39.7
Cancels Fourth Revised Sheet 39.7

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

C. Centrex II - CO SYSTEMS (Continued)

5. Charges

e. Station instruments are provided in color as manufactured at the charges preceding.

f. Minimum Charges:

A minimum monthly charge equal to the monthly charge for 150 main stations, excluding charges for manual switching equipment, extension stations and channel charges, is applicable for each system.

g. Channel Charges
(1) Main Stations located in same central office (wire center) area in which the Dial Switching Equipment is located:
(a) Within Base Rate Area - No Mileage Charge
(b) Outside Base Rate Area - \$0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary. (I)
(2) Main Stations located in a different central office (wire center) area than the one in which the Dial Switching Equipment is located (same exchange or zone).

| | Per Channel, Per Month | |
|---|---|---|
| (a) Option I | | |
| (i) Detroit Zone | | |
| (A) Main stations and Dial Switching Equipment in same zone rate area | \$ 5.60 | (I) |
| (B) Main stations and Dial Switching Equipment in adjacent zone rate areas | 11.15 | |
| (C) Main station and Dial Switching Equipment in nonadjacent zone rate areas | 16.75 | |
| (ii) Company except Detroit Zone | 5.60 | (I) |

(b) Option II
(i) Between the central office in which the Dial Switching Equipment is located and the premises in which the stations are located
(A) Basic Charge, per month \$111.65 (I)
(B) Plus Channel Charge, each channel, per month 8.95 (I)
(3) Extension Stations:
Channel charges as specified for extension stations under Interbuilding Channel Charges in this Tariff.

h. Central Office Trunks
Normal exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.
(1) Regular Service
Company Except Detroit Zone:
Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.
Detroit Zone:
Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.
(2) Metropolitan Service
The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

i. Initial Contract Period and Termination Charges
(1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract period based on the charges in effect at the time the service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.

(Continued)

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By L. J. Haynes, Vice President
Detroit, Michigan

E614
Exhibit 41C

ADV. #1191 FILED WITH M.P.S.C. 5-1-72
TRANS. TO [illegible] OPERS. 4-29-72

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Sixth Revised Sheet 39.8
Cancels Fifth Revised Sheet 39.8

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### C. CENTREX II - CO SYSTEMS (Continued)

5. Charges (Continued)
   i. Initial Contract Period and Termination Charges
      (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.
      (3) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period shall be applicable.

### D. CENTREX II - CU SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment and the attendant positions are located on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed direct if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

| 5. Charges | Installation Charge | Monthly Charge | |
|---|---|---|---|
| a. Attendant Positions | | | |
| (1) Consoles, per position | $223.30 | $167.45 | (I) |
| (2) Switchboards | | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | | |
| (b) Universal Type, per position | $279.10 | $195.35 | (I) |

b. Main Stations - Monthly Charges
   (1) Regular Service
      (a) Flat Rate Service

| | Rate Groups A, B and C# | Rate Group D ϕ | Rate Group E ϕ | |
|---|---|---|---|---|
| First 250 Stations, each | $ 9.25 | $10.40 | $11.45 | (I) |
| Next 250 Stations, each | 7.60 | 8.45 | 9.50 | \| |
| Next 500 Stations, each | 7.30 | 7.85 | 8.65 | \| |
| All addl. Stations, each | 7.05 | 7.30 | 7.80 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972.

ϕ Temporary offering until October 16, 1972 in suburban zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

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By L. J. Haynes, Vice President
Detroit, Michigan

E615
Exhibit 41C

ADV. #1191 FILED WITH M.P.S.C. 5-1-72
TRANS. TO COMM. OPERS. 4-29-72

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Ninth Revised Sheet 39.9
Cancels Eighth Revised Sheet 39.9

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

D. CENTREX II - CU SYSTEMS (Continued)

5. Charges
   b. Main Stations - Monthly Charges (Continued)
      (1) Regular Service
         (b) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $10.60 | (I) |
| Next 250 Stations, each | 8.65 | \| |
| Next 500 Stations, each | 7.55 | \| |
| All Addl. Stations, each | 6.40 | (I) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

(2) Metropolitan Service

| | | |
|---|---|---|
| First 250 Stations, each | $13.40 | (I) |
| Next 250 Stations, each | 11.45 | \| |
| Next 500 Stations, each | 10.35 | (I) |
| All Addl. Stations, each | 9.20 | |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1. (1)

c.

d. Extension Stations, each
   (1) Monthly Charges
      Flat Rate Service $3.90 (I)
      Message Rate Service and Metropolitan Service $3.65 (I)

e. Station instruments are provided in color as manufactured or in black without additional charge.

f. Minimum Charges

A minimum monthly charge equal to the monthly charge for 150 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and channel charges, is applicable for each system.

g. Channel Charges
   (1) Main Stations located in same central office area in which dial switching equipment is located:
      (a) Within Base Rate Area - No Mileage Charge.
      (b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary. (I)

   (2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone):

      Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

   (3) Extension Stations:
      Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

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(1) Installation charges now covered in Tariff M.P.S.C. No. 1.

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E616

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Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Fourth Revised Sheet 40
Cancels Third Revised Sheet 40

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### MOVES AND CHANGES OF PRIVATE BRANCH EXCHANGE SYSTEMS

### A. MOVES

1. Class A and Class B P.B.X. Systems:
For the move of the attendant positions, the charges applicable are the installation charges for attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system. No additional charge applies for single line instruments moved and/or changed at the same time.

2. Series 40 (20-40 Dial Pak) P.B.X. Systems:
   a. For a move of the apparatus cabinet, the basic service installation charge is applicable.
   b. For a move of the attendant position, the installation charge for a Call Director is applicable.

3. Series 75 P.B.X. Systems:
For the move of the apparatus cabinet the charges applicable are the system installation charge, establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system. No additional charge applies for single line instruments moved and/or changed at the same time.

4. Series 90 (Guest Dial Pak) P.B.X. Systems:
   a. For the move of the apparatus cabinet only or a move of the apparatus cabinet and the attendant position, the basic service installation charge and the establishment of service charges for all trunks and station instruments are applicable.
   b. For a move of the attendant position only: $33.50 (I)

5. Series 160 P.B.X. Systems:
   a. For the move of an Attendant Set: $27.90
   b. For the move of a Switchboard: $83.75 (I)
   c. The system installation charge and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system are applicable for:
      (1) A move of the apparatus cabinet only.
      (2) A move of the apparatus cabinet and the attendant positions.
      (3) A move of the apparatus cabinet with a change of the attendant positions.
      (4) A move of the apparatus cabinet with a move and a change of the attendant positions.
      (5) No additional charge applies for single line instruments moved and/or changed at the same time.

6. Class C, Series 100, Series 200, Series 300, Centrex I, and Centrex II P.B.X. Systems:
   a. Attendant positions only:
   Charges based on cost not to exceed the installation charges for the attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system. If the charge applicable for the move equals the full establishment of service and installation charges, no additional charge applies for single line instruments moved and/or changed at the same time. The existing contract will be continued.

   b. Dial switching equipment only or dial switching equipment and attendant positions:
   Termination Charges are applicable to the entire system if the contract has not expired. Also applicable are the installation charges for the attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system. No additional charge applies for single line instruments moved and/or changed at the same time. A new contract is applicable for the system at the new location.

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E617
Exhibit 41C

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TRANS. TO COMPT. OPERS. 4-29-72

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### MOVES AND CHANGES OF PRIVATE BRANCH EXCHANGE SYSTEMS

### B. CHANGES

1. Manual P.B.X. Systems:
   a. Change from a Manual P.B.X. System to another Manual P.B.X. System or to a Dial P.B.X. System (without a move of the attendant position) or
   b. Change from one type attendant position to another type attendant position on the same system (without a move):

   Termination charges are applicable if the contract has not expired. The charges applicable are the installation charges for the new system or attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments added at the time of the change. A new contract is applicable for the new system or attendant position/s.

2. Dial P.B.X. Systems:
   a. Change from one dial P.B.X. system to another dial P.B.X. system or to a manual P.B.X. system (without move of dial switching equipment and/or attendant positions):

   Termination Charges are applicable to the entire system if the contract has not expired. Also applicable are the installation charges for the new system or attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the new system. No additional charge applies for single line instruments moved and/or changed at the same time. A new contract is applicable for the new system. The following exception will apply:

   If a change is made from one system to another among the Series 100, Series 200, Series 300, Centrex I - CU and Centrex II - CU systems and the dial switching equipment and attendant positions are retained at the same location and the dial switching equipment is modified, the charge will be based on cost not to exceed the establishment of service charges as specified above. No termination charge is applicable unless the attendant positions are changed in which case termination charges apply for the discontinued attendant positions. If the charge applicable for the change equals the full establishment of service charges and installation charges, no additional charge applies for single line instruments moved and/or changed at the same time. A new contract is applicable for the new system.

   b. Change of dial switching equipment without a change from one Series to another:
      (1) To increase the station capacity of the system as required by growth:

      No charge is applicable. Existing contract will be continued.

      (2) For reasons other than growth:

      Series 90, Series 100, Series 200, Series 300, Centrex I - CU and Centrex II - CU Systems: (T

      Termination Charges are applicable to the entire system if the contract has not expired. Also applicable are the installation charges for the attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the new system. No additional charge applies for single line instruments moved and/or changed at the same time. A new contract is applicable for the new system.

      (3) To change service features:

      Series 160 Systems -
      (a) To change from a system without attendant direct station selection to a system with attendant direct station selection: $167.45. The existing contract will be continued. (I
      (b) To change from a system with attendant direct station selection to a system without attendant direct station selection, no charge is applicable. The existing contract will be continued.

(Continued)

E618
Exhibit 41C

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AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

MOVES AND CHANGES OF PRIVATE BRANCH EXCHANGE SYSTEMS

B. CHANGES

2. Dial P.B.X. Systems: (Continued)
   c. Change from one attendant position to another:
      (1) Series 40 (20-40 Dial Pak)
      Change charges as applicable for Call Directors.
      (2) Series 90 (Guest Dial Pak)
      For a change in the color of an attendant position: $33.50 (I)
      For a change in the color of a station instrument, a change charge is applicable.
      (3) Series 160
         (a) For a change from a Console to a Key Attendant Set, Key Attendant Set to a Console, or from a Switchboard to a Console or Key Attendant Set: $27.90 (I)
         (b) For a change from a Console or Key Attendant Set to a Switchboard: $83.75 |
         (c) For a change in color of a Console: $27.90 (I)
         (d) For a change of a console with direct station selection to another console with direct station selection to increase or decrease capacity, no charge is applicable. The existing contract will be continued.
         (e) For a change of a console without direct station selection to another console without direct station selection to increase or decrease capacity, no charge is applicable. The existing contract will be continued.
      (4) Series 100, Series 200, Series 300, Centrex I and Centrex II:
         (a) For a change from a switchboard to a different type switchboard, from a switchboard to a console or from a console to a switchboard:

         Termination charges are applicable for the attendant positions if the contract has not expired. Also applicable are charges based on cost not to exceed the installation charges for attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments. If the charge applicable for the change equals the full establishment of service and installation charges, no additional charge applies for single line instruments moved and/or changed at the same time. A new contract is applicable for the new attendant positions.

         (b) For a change from one type console to another type console with different features:
         Charges based on cost not to exceed the installation charges for attendant positions and the establishment of service charges for trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system. The existing contract will be continued.

         (c) For a change of a console to another console of the same type with the same features to increase or decrease capacity, no charge is applicable. The existing contract will be continued.

C. MOVE AND CHANGE AT THE SAME TIME

1. Class A and Class B Systems:
The charges applicable are the installation charges for the new attendant position and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments. No additional charge applies for single line instruments moved and/or changed at the same time.

2. Series 40 (20-40 Dial Pak)
Attendant Positions:
The installation charge for a Call Director is applicable.

3. Series 90 (Guest Dial Pak)
   a. Attendant positions only: $33.50 (I)

PROTECTED

(Continued)

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AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

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TRANS. TO COMPT. OPERS. 4-29-72

MOVES AND CHANGES OF PRIVATE BRANCH EXCHANGE SYSTEMS

C. MOVE AND CHANGE AT THE SAME TIME (Continued)

4. Series 160
   a. Attendant Positions only.
      (1) Change to a console or a key attendant set with a move: $27.90 (I)
      (2) Change to a switchboard with a move: $83.75 (I)
   b. Dial switching equipment only or dial switching equipment and attendant positions:
      The charges applicable are the installation charges for the system and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments at the new location. No additional charge applies for single line instruments moved and/or changed at the same time.

5. Class C, Series 100, Series 200, Series 300, Centrex I and Centrex II:
   a. Attendant positions only.
      Termination charges are applicable for the attendant positions if the contract has not expired. Also applicable are charges based on cost not to exceed the installation charges for attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system. If the charge applicable for the move and change equals the full establishment of service and installation charges, no additional charge applies for single line instruments moved and/or changed at the same time. A new contract is applicable for the new attendant positions.
   b. Dial switching equipment only or dial switching equipment and attendant positions.
      (1) Except as provided in (2) following, termination charges are applicable to the entire system if the contract has not expired. Also applicable are the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the system. No additional charge applies for single line instruments moved and/or changed at the same time. A new contract is applicable for the system at the new location.
      (2) For a move and a change of dial switching equipment within a Series to increase the station capacity of the system as required by growth, no charge is applicable. Existing contract will be continued.

6. Change in type of system with a move of either attendant positions and/or dial switching equipment: Termination charges are applicable to the entire system if the contract has not expired. Also applicable are the installation charges for attendant positions and the establishment of service charges for all trunks, WATS lines, tie lines, station lines associated with key instruments and single line instruments associated with the new system. No additional charge applies for single line instruments moved and/or changed at the same time. A new contract is applicable for the new system.

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TRANS. TO COMPT. OPERS. 4-20-72

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### SPECIAL P.B.X. FEATURES

### A. TOLL DIVERSION ARRANGEMENTS

1. Toll diversion arrangements are available to divert station users from long distance and interzone access codes as indicated herein.

2. Type I (Former Type I and Type II combined as a single offering)

   a. Type I Toll Diversion is available with Services 100, 200, 300 and Class E; Type II dial P.B.X. Systems where facility conditions permit.

   b. Two classes of toll diversion are available: (1) to divert all long distance and interzone calls and (2) to divert all long distance calls only.

   c. When a station user attempts to dial a restricted call the call will be diverted. Depending upon the circumstances, and facilities available, the call will be diverted to a distinctive tone, a recorded announcement, or to the P.B.X. operator. If the P.B.X. is equipped with Toll Terminals, long distance calls may be placed directly by the station user by dialing a preset code.

   d. The service may be provided with or without message registers. Message registers are located on the premises of the customer and one register is associated with each station so equipped to record the number of local calls placed.

   e. Charges

      (1) The charges indicated below are in addition to all charges applicable to the class and type of telephone service with which the features are associated and for any miscellaneous services provided.

| | Installation Charge | Monthly Charge |
|---|---|---|
| (2) Toll Diversion | | |
| First 25 Trunks (or less) equipped | $10.00* per trunk | $83.75 (I) |
| Each additional trunk equipped | 10.00* | 3.35 (I) |

If the customer has both classes of toll diversion as described in b. preceding the above charges apply for each class of toll diversion.

* Not applicable if installed at the same time as the P.B.X. System.

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| | Installation Charge | Monthly Charge |
|---|---|---|
| (3) Message Registers | | |
| Common Equipment | $10.00* | $22.35 (I) |
| Each P.B.X. station equipped with message registers | 10.00# | 0.55 |

* Not applicable if installed at the time Toll Diversion is installed.

# Not applicable if installed at the time Common Equipment is installed or at the time a station is installed.

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TRANS. TO COMPT. OPERS.____

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

SPECIAL P.B.X. FEATURES

A. TOLL DIVERSION ARRANGEMENTS (Continued)

2. Type I (Former Type I and Type II combined as a single offering) (Continued)

e. Charges (Continued)

(4) Initial Contract Period and Termination Charges

The initial contract period for the initial twenty-five trunks (or less) for each class of toll diversion provided and the common equipment for message registers is three years in the same building starting with the date service is established. In the event of discontinuance of a class of toll diversion or common equipment for message registers, termination charges are applicable and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract.

Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in the preceding paragraph.

Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled charges for the 3-year period, shall be applicable.

(5) Moves

For a move of a cabinet housing the message registers or a move of the common equipment, charges Based on Cost apply.

3. Type II: (Formerly Type III - Previous Type II now combined with Type I)
   a. Type II Toll Diversion is available with Centrex I and Centrex II P.B.X. stations.
   b. Two classes of toll diversion are available: (1) to divert all long distance and interzone calls outside the local calling area and (2) to divert all long distance calls only.
   c. When a station equipped with toll diversion dials a restricted code, the call will be diverted to a distinctive tone to indicate that such calls cannot be dialed from that station.
   d. The charges specified herein are not applicable to those specific stations arranged for toll diversion as of October 15, 1962 for systems installed prior to April 18, 1961.
   e. Charges
      (1) The charges indicated below are in addition to the regular charges for stations.
      (2) Centrex I and Centrex II stations, excluding Centrex I-CO residence stations:

(a) Charges

| | Installation Charge | Monthly Charge |
|---|---|---|
| Up to and including 100 stations equipped for toll diversion | - | $55.80 (I) |
| Additional Stations, each | $10.00 * | 0.55 |

If the customer has both classes of toll diversion as described in b. preceding, the above charges apply for each class of toll diversion.

* Not applicable if installed at the same time as the P.B.X. System or at the same time a P.B.X. Station is added.

(b) Initial Contract Period and Termination Charges

The initial contract period for the initial 100 stations or less for each class of toll diversion is three years.
Termination charges applicable in the event of discontinuance of a class of toll diversion prior to the expiration of the initial contract period shall be an amount equal to 50% of the unbilled monthly charges for the initial 100 stations (or less) for the unexpired portion of the contract period.

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Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Fourth Revised Sheet 41.2
Cancels Third Revised Sheet 41.2

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### SPECIAL P.B.X. FEATURES

A. TOLL DIVERSION ARRANGEMENTS (Continued)

3. Type II: (Formerly Type III - Previous Type II now combined with Type I) (Continued)
    e. Charges (Continued)
        (3) Centrex I-CO Residence Stations
            (a) At the time service is established and at the beginning of a new school year, term, or semester no charge is applicable to provide or to remove Toll Diversion on residence centrex stations.
            (b) Provision of Toll Diversion at a time other than specified in (a) preceding. A nonrecurring charge of $2.80 applies for each station changed to Toll Diversion, except that no charge is applicable where the Telephone Company initiates such a change involving a delinquent account under the Special Toll Billing Arrangement. (I)
            (c) Removal of Toll Diversion at a time other than specified in (a) preceding. No charge is applicable for removal of Toll Diversion except as indicated in the following:
                Where the Telephone Company has placed the service on Toll Diversion because of a delinquent account and subsequently the account is reinstated for the Special Toll Billing Arrangement a nonrecurring charge of $2.80 applies for the removal of Toll Diversion. (I)

B. MESSAGE WAITING SERVICE

1. Message Waiting Service is available where facility conditions permit on either dial or manual P.B.X. systems.
2. This feature consists of a neon lamp mounted on a desk type telephone instrument or a Princess telephone set which lights upon operation of a key contained in an appropriate cabinet, located near the P.B.X. operator. When the lamp is lit it indicates that there is a message waiting for the station user.
3. Charges -
    a. The charges indicated below are in addition to all charges applicable to the class and type of telephone service with which the feature is associated, for Princess telephone sets and for any miscellaneous services provided.

| | Installation Charge | Monthly Charge | |
|---|---|---|---|
| b. Common Equipment, each System | $111.65 | $27.90 | (I) |
| c. Each P.B.X. dial station equipped | 10.00* | 0.30 (I) | |

* The installation charge is not applicable when message waiting service is installed at the same time as message registers and toll diversion or at the time a P.B.X. station is installed.

    d. Initial Contract Period and Termination Charges
        (1) The initial contract period is five years in the same building starting with the date service is established. Termination Charges will apply to the Common Equipment and the number of Message Waiting Features specified in the initial contract. In the event of complete discontinuance of this service prior to the expiration of the contract period a Termination Charge is applicable and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract period based on the charges in effect at the time the contract period began.
        (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the Termination Charge shall be applicable as specified above.
        (3) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled charges for the 5-year period, shall be applicable.
    e. Moves -
        For a move of a cabinet housing the message waiting keys or a move of the common equipment, charges Based on Cost apply.

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## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### A. CENTREX I - CO SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, and call-transfer-attendant which is provided where facilities are available. (T) (T)

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment is located in buildings owned or leased by the Telephone Company and the manual switching equipment is on the customer's premises.

4. Centrex I - CO P.B.X. systems are provided for:
   a. Business Service
   b. Combined administrative and residence service for colleges, universities, and similar educational institutions.

5. Location and Classification of Stations
   a. Business Stations
      (1) Stations located on the premises of a business customer or in the administrative buildings of a college or university, faculty clubs, student unions, and administrative quarters of dormitories.
      (2) Stations located on premises other than the customer's. Such stations are provided only if a separate exchange service is also furnished at the same off-premises locations.
   b. Residence Stations
      (1) Nonrestricted. Nonrestricted stations provide all service features as specified in 1. preceding on stations located in the living quarters (dormitories, apartments, etc.) of students, faculty members and employees when such quarters are provided by the college or university.
      (2) Restricted. Restricted summer service provides only intercommunicating calls between all stations on the same system. It will be provided for a minimum period of three months during the months of June, July, August and September only. The service is not provided on individual stations but on groups of stations. It is offered only where all rooms of a dormitory floor or all rooms of a floor of a dormitory wing are involved. Further, it is provided only in rooms occupied by other than regularly enrolled college or university students.
   c. Extension Stations
      (1) Business extension stations are furnished on premises provided by the customer. When located on premises other than the customer's, a separate exchange service must be furnished at the same off-premises location.
      (2) Residence extensions are provided only in the same room, suite or apartment as the main station.

6. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed directly if the number is known. Individual listings of stations are also provided as specified herein:
   a. Business Stations

      Department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this tariff.
   b. Residence Stations

      Indented listings under the main listing are not provided. The individual names are listed only in the alphabetical section at the charge specified for Extra Listings for residence service in this tariff.

(Continued)

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## AUXILIARY SERVICES AND EQUIPMENT

## PR[illegible] BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

7. Residence Stations are furnished to the college or university upon the condition that use of the service shall not be made subject to any charge by the college or university in excess of the charges of the Telephone Company.

| 8. Charges | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Console, per position | $223.30 | $167.45 |
| (2) Switchboard (Universal Type), per position | 279.10 | 195.35 |

b. Main Stations - Monthly Charges
  (1) Regular Service
    (a) Business Stations
      (i) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group D∅ | (D) |
|---|---|---|---|
| First 250 Stations, each | $7.25 ($4.85*) | $8.35 ($5.30*) | |
| Next 250 Stations, each | 6.40 ( 4.45*) | 7.25 ( 4.85*) | |
| Next 500 Stations, each | 6.15 ( 4.60*) | 6.70 ( 4.65*) | |
| All Add'l Stations, each | 5.85 ( 4.90*) | 6.15 ( 4.65*) | |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Not offered in zones of Detroit District Exchange. (C)
∅ Not offered in zones of Detroit District Exchange. Offered on a temporary basis in other Group D exchanges and zones until October 16, 1973. (C)

| (ii) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $8.65 ($7.15*) |
| Next 250 Stations, each | 7.55 ( 6.20*) |
| Next 500 Stations, each | 6.40 ( 5.15*) |
| All Add'l Stations, each | 5.30 ( 4.35*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service.

(b) Residence Stations
  (i) Non-restricted residence stations are provided at a charge which is $0.20 less than the charge for Residence Individual Line Flat Rate Service in the various Exchanges and Zones as specified in Tariff M.P.S.C. No. 1. This charge provides the same Local Service Area calling privileges and message charges as are applicable for Individual Line Flat Rate Service.

Special Toll Billing Arrangement
For residence stations furnished in university-provided housing where the Telephone Company assumes the responsibility of collecting from the individual users and bills toll charges directly to the stations, a special toll billing arrangement charge of $0.20 applies for each statement rendered.

  (ii) Restricted residence stations are provided at a charge of $3.35 each per month.

Certain material previously on this sheet now appears on Sheet 39.2

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By L. J. Haynes, Vice President
Detroit, Michigan

E625
Exhibit 41C

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

8. Charges (Continued)
b. Main Stations - Monthly Charges (Continued)

(2) Metropolitan Service

| | | |
|---|---|---|
| First 250 Stations, each | $11.45 | ($7.15*) |
| Next 250 Stations, each | 10.35 | ( 6.20*) |
| Next 500 Stations, each | 9.20 | ( 5.15*) |
| All Add'l Stations, each | 8.10 | ( 4.35*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service.

c. Extension Stations, each
(1) Monthly Charges
(a) Business Stations
Flat Rate Service $3.90
Measured Rate Service and Metropolitan Service $3.65

(b) Residence Stations
Same charges as applicable for Residence Flat Rate Extension Stations.

d. Minimum Charges
A minimum monthly charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations and channel charges, is applicable for each system.

e. Interbuilding Channel Charges
(1) Main Stations located in same central office (wire center) area in which the Dial Switching Equipment is located.
(a) Within Base Rate Area - No Mileage Charge
(b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area Boundary.

(2) Main Stations located in a different central office (wire center) area than the one in which the Dial Switching Equipment is located (Same Exchange or Zone).

| | Per Channel, Per Month |
|---|---|
| (a) Option I | |
| (i) Detroit Zone | |
| (A) Terminals in same zone rate area | $ 5.60 |
| (B) Terminals in adjacent zone rate areas | 11.15 |
| (C) Terminals in nonadjacent zone rate areas | 16.75 |
| (ii) Company except Detroit Zone | 5.60 |

(b) Option II
(i) Between the central office in which the Dial Switching Equipment is located and the premises in which the stations are located.

| | |
|---|---|
| (A) Basic Charge, per month | $111.65 |
| (B) Plus Channel Charges, each channel, per month | 8.95 |

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E626
Exhibit 41C

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

8. Charges (Continued)

f. Central Office Trunks
Normal exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.

(1) Regular Service
Company Except Zones of Detroit District Exchange (C)
Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the Exchange or Zone from which service is provided.
All Zones of Detroit District Exchange (C)
Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1 for the zone from (T)
which service is provided. (T)

(2) Metropolitan Service
Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

g. Special Features
(1) Overflow Stations
Arrangements whereby groups of dial stations are associated with overflow station lines. A call to a busy station of a group is transferred to an overflow station line. The overflow arrangement is provided at no additional charge. Regular tariff charges are applicable for the centrex station used as an overflow station line.

h. Initial Contract Period and Termination Charges

(1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract period based on the rates in effect at the time the service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.

(2) Termination Charges are not applicable for Residence stations which are disconnected for a period not to exceed 90 days. When such stations are reconnected, Service Connection Charges will apply for each station reconnected.

(3) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.

(4) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period shall be applicable.

PROTECTED

Certain material previously on this sheet now appears on Sheet 39.4

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Detroit, Michigan

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

E627
Exhibit 41C

Eleventh Revised Sheet 39.4
Cancels Tenth Revised Sheet 39.4

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### B. CENTREX I - CU SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls and call transfer-attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment and the attendant positions are located on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed directly if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

5. Charges

| | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Consoles, per position | $223.30 | $167.45 |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | $279.10 | $195.35 |

b. Main Stations - Monthly Charges

(1) Regular Service

| (a) Flat Rate Service | Rate Groups A, B & C# | Rate Group D∅ | (D) |
|---|---|---|---|
| First 250 Stations, each | $7.05 ($4.65*) | $8.15 ($5.10*) | |
| Next 250 Stations, each | 6.20 ( 4.25*) | 7.05 ( 4.65*) | |
| Next 500 Stations, each | 5.90 ( 4.35*) | 6.50 ( 4.45*) | |
| All Add'l Stations, each | 5.65 ( 4.70*) | 5.90 ( 4.40*) | |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Not offered in zones of Detroit District Exchange. (C)
∅ Not offered in zones of Detroit District Exchange. Offered on a temporary basis in other Group D exchanges and zones until October 16, 1973. (C)

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $8.35 ($6.85*) |
| Next 250 Stations, each | 7.25 ( 5.90*) |
| Next 500 Stations, each | 6.15 ( 4.90*) |
| All Add'l Stations, each | 5.00 ( 4.05*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

| (2) Metropolitan Service | |
|---|---|
| First 250 Stations, each | $11.15 ($6.85*) |
| Next 250 Stations, each | 10.05 ( 5.90*) |
| Next 500 Stations, each | 8.95 ( 4.90*) |
| All Add'l Stations, each | 7.80 ( 4.05*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service.

Certain material previously on this sheet now appears on Sheet 39.5

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Detroit, Michigan

E628
Exhibit 41C

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

B. CENTREX I - CU SYSTEMS (Continued)

5. Charges (Continued)

c. Extension Stations, each

| | Monthly Charges |
|---|---|
| Flat Rate Service | $3.90 |
| Message Rate Service and Metropolitan Service | 3.65 |

d. Minimum Charges

A minimum monthly charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and mileage charges, is applicable for each system.

e. Channel Charges

(1) Main Stations located in same central office area in which Dial Switching Equipment is located:

(a) Within Base Rate Area - No Mileage Charge.

(b) Outside Base Rate Area - $0.85 per 1/4 mile or [illegible] airline mileage per month, measured from the station location to the nearest point on the Base Rate Boundary.

(2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone).

Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

(3) Extension Stations

Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

f. Central Office Trunks

Normal Exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.

(1) Regular Service

Company Except Detroit District Exchange (C)

Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

All Zones of Detroit District Exchange (C)

Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1 for the zone from (T)
which service is provided. (T)

(2) Metropolitan Service

Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

g. Initial Contract Period and Termination Charges

(1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to: 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled monthly charges for the unexpired portion of the contract period based on the charges in effect at the time service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.

(2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.

(3) Where a contract is cancelled before installation is completed a termination charge consisting of the loss in equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period, shall be applicable.

Certain material previously on this sheet now appears on Sheet 39.6

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By L. J. Haynes, Vice President

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

E6[illegible]
Exhibit 41C

Eleventh Revised Sheet 39.6
Cancels Tenth Revised Sheet 39.6

# AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### C. CENTREX II - CO SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment is located in buildings owned or leased by the Telephone Company and the manual switching equipment is on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed directly if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

5. Charges

| | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Console, per position | $223.30 | $167.45 |
| (2) Switchboard (Universal Type), per position | 279.10 | 195.35 |

b. Main Stations - Monthly Charges
   (1) Regular Service
      (a) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group Dø | |
|---|---|---|---|
| First 250 Stations, each | $9.50 ($7.10*) | $10.60 ($7.55*) | (C) |
| Next 250 Stations, each | 7.80 ( 5.85*) | 8.65 ( 6.25*) | \| |
| Next 500 Stations, each | 7.55 ( 6.00*) | 8.10 ( 6.05*) | \| |
| All Add'l Stations, each | 7.25 ( 6.30*) | 7.55 ( 6.05*) | (C) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Not offered in zones of Detroit District Exchange. (C)
ø Not offered in zones of Detroit District Exchange. Offered on a temporary basis in other Group D exchanges and zones until October 16, 1973. (C)

      (b) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $10.90 ($9.40*) |
| Next 250 Stations, each | 8.95 ( 7.60*) |
| Next 500 Stations, each | 7.80 ( 6.55*) |
| All Add'l Stations, each | 6.70 ( 5.75*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

   (2) Metropolitan Service

| | |
|---|---|
| First 250 Stations, each | $13.70 ($9.40*) |
| Next 250 Stations, each | 11.70 ( 7.55*) |
| Next 500 Stations, each | 10.60 ( 6.55*) |
| All Add'l Stations, each | 9.50 ( 5.75*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service.

Certain material previously on this sheet now appears on Sheet 39.7

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Detroit, Michigan

E630
Exhibit 41C

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

C. CENTREX II - CO SYSTEMS (Continued)

5. Charges (Continued)

c. Extension Stations, each

| | Monthly Charges |
|---|---|
| Flat Rate Service | $3.90 |
| Measured Rate Service and Metropolitan Service | 3.65 |

d. Station instruments are provided in color as manufactured at the charges preceding.

e. Minimum Charges

A minimum monthly charge equal to the monthly charge for 150 main stations, excluding charges for manual switching equipment, extension stations and channel charges, is applicable for each system.

f. Channel Charges

(1) Main Stations located in same central office (wire center) area in which the Dial Switching Equipment is located:

(a) Within Base Rate Area - No Mileage Charge

(b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary.

(2) Main Stations located in a different central office (wire center) area than the one in which the Dial Switching Equipment is located (same exchange or zone).

| | Per Channel, Per Month |
|---|---|
| (a) Option I | |
| (i) Detroit Zone | |
| (A) Main stations and Dial Switching Equipment in same zone rate area | $ 5.60 |
| (B) Main stations and Dial Switching Equipment in adjacent zone rate areas | 11.15 |
| (C) Main station and Dial Switching Equipment in nonadjacent zone rate areas | 16.75 |
| (ii) Company except Detroit Zone | 5.60 |

(b) Option II

(i) Between the central office in which the Dial Switching Equipment is located and the premises in which the stations are located.

| | |
|---|---|
| (A) Basic Charge, per month | $111.65 |
| (B) Plus Channel Charge, each channel, per month | 8.95 |

(3) Extension Stations

Channel charges as specified for extension stations under Interbuilding Channel Charges in this Tariff.

g. Central Office Trunks

Normal exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.

(1) Regular Service

Company Except Detroit District Exchange (C)

Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

All Zones of Detroit District Exchange (C)

Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1 for the zone from which service is provided. (T) (T)

(2) Metropolitan Service

Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

Certain material previously on this sheet now appears on Sheet 39.8

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Detroit, Michigan

E631
Exhibit 41C

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### C. CENTREX II - CO SYSTEMS (Continued)

5. Charges (Continued)
   h. Initial Contract Period and Termination Charges
      (1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract period based on the charges in effect at the time the service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.
      (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.
      (3) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period shall be applicable.

### D. CENTREX II - CU SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment and the attendant positions are located on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed direct if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

| | Installation Charge | Monthly Charge |
|---|---|---|
| 5. Charges | | |
| a. Attendant Positions | | |
| (1) Consoles, per position | $223.30 | $167.45 |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | $279.10 | $195.35 |

Certain material previously on this sheet now appears on Sheet 39.9

E632
Exhibit 41C

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

D. CENTREX II - CU SYSTEMS (Continued)

5. Charges (Continued)
b. Main Stations - Monthly Charges
(1) Regular Service

| (a) Flat Rate Service | Rate Groups A, B & C# | Rate Group Dø | |
|---|---|---|---|
| First 250 Stations, each | $ 9.25 ($6.85*) | $10.40 ($7.35*) | (C) |
| Next 250 Stations, each | 7.60 ( 5.65*) | 8.45 ( 6.05*) | |
| Next 500 Stations, each | 7.30 ( 5.75*) | 7.85 ( 5.80*) | |
| All Add'l Stations, each | 7.05 ( 6.10*) | 7.30 ( 5.80*) | (C) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Not offered in zones of Detroit District Exchange. (C)
ø Not offered in zones of Detroit District Exchange. Offered on a temporary basis in other Group D exchanges and zones until October 16, 1973. (C)

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $10.60 ($9.10*) |
| Next 250 Stations, each | 8.65 ( 7.30*) |
| Next 500 Stations, each | 7.55 ( 6.30*) |
| All Add'l Stations, each | 6.40 ( 5.45*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

| (2) Metropolitan Service | |
|---|---|
| First 250 Stations, each | $13.40 ($9.10*) |
| Next 250 Stations, each | 11.45 ( 7.30*) |
| Next 500 Stations, each | 10.35 ( 6.30*) |
| All Add'l Stations, each | 9.20 ( 5.45*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service.

| c. Extension Stations, each | Monthly Charges |
|---|---|
| Flat Rate Service | $3.90 |
| Message Rate Service and Metropolitan Service | 3.65 |

d. Station instruments are provided in color as manufactured or in black without additional charge.

e. Minimum Charges

A minimum monthly charge equal to the monthly charge for 150 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and channel charges, is applicable for each system.

Certain material previously on this sheet now appears on Sheet 39.10

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## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

D. CENTREX II - CU SYSTEMS (Continued)

5. Charges (Continued)

f. Channel Charges

(1) Main Stations located in same central office area in which Dial Switching Equipment is located:

(a) Within Base Rate Area - No Mileage Charge.

(b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary.

(2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone):

Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

(3) Extension Stations:

Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

g. Central Office Trunks

Normal Exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.

(1) Regular Service

Company Except Detroit District Exchange (C)

Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

All Zones of Detroit District Exchange (C)

Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1 for the zone (T) from which service is provided. (T)

(2) Metropolitan Service

Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

h. Initial Contract Period and Termination Charges

(1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to: 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled monthly charges for the unexpired portion of the contract period based on the charges in effect at the time service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.

(2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.

(3) Where a contract is cancelled before installation is completed a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period, shall be applicable.

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E634
Exhibit 41C

ADV. #[illegible] FILED WITH M.P.S.C. [illegible]
TRANS. TO COMPT. OPERS. [illegible]

CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

8. Charges (Continued)
b. Main Stations - Monthly Charges (Continued)

(2) Metropolitan Service

| | | |
|---|---|---|
| First 250 Stations, each | $11.45 | ($7.15*) |
| Next 250 Stations, each | 10.35 | ( 6.20*) |
| Next 500 Stations, each | 9.20 | ( 5.15*) |
| All Add'l Stations, each | 8.10 | ( 4.35*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service.

c. Extension Stations, each
(1) Monthly Charges
(a) Business Stations
Flat Rate Service $3.90
Measured Rate Service and Metropolitan Service $3.65

(b) Residence Stations
Same charges as applicable for Residence Flat Rate Extension Stations.

d. Minimum Charges
A minimum monthly charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations and channel charges, is applicable for each system.

e. Interbuilding Channel Charges
(1) Main Stations located in same central office (wire center) area in which the Dial Switching Equipment is located.
(a) Within Base Rate Area - No Mileage Charge
(b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area Boundary.

(2) Main Stations located in a different central office (wire center) area than the one in which the Dial Switching Equipment is located (Same Exchange or Zone).

| | Per Channel, Per Month |
|---|---|
| (a) Option I | |
| (i) Detroit Zone | |
| (A) Terminals in same zone rate area | $ 5.60 |
| (B) Terminals in adjacent zone rate areas | 11.15 |
| (C) Terminals in nonadjacent zone rate areas | 16.75 |
| (ii) Company except Detroit Zone | 5.60 |

(b) Option II
(i) Between the central office in which the Dial Switching Equipment is located and the premises in which the stations are located.

| | |
|---|---|
| (A) Basic Charge, per month | $111.65 |
| (B) Plus Channel Charges, each channel, per month | 8.95 |

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By L. J. Haynes, Vice President
Detroit, Michigan

E635
Exhibit 41C

ADV. #12 FILED WITH M.P.S.C. 10-9-72
TRANS. TO COMPT. OFFRS. 10-10-72

CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

8. Charges (Continued)

f. Central Office Trunks
Normal exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.

(1) Regular Service
Company Except Zones of Detroit District Exchange (C)
Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the Exchange or Zone from which service is provided. (C)
All Zones of Detroit District Exchange
Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1 for the zone from which service is provided. (T) (T)

(2) Metropolitan Service
Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

g. Special Features

(1) Overflow Stations
Arrangements whereby groups of dial stations are associated with overflow station lines. A call to a busy station of a group is transferred to an overflow station line. The overflow arrangement is provided at no additional charge. Regular tariff charges are applicable for the centrex station used as an overflow station line.

h. Initial Contract Period and Termination Charges

(1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract period based on the rates in effect at the time the service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.

(2) Termination Charges are not applicable for Residence stations which are disconnected for a period not to exceed 90 days. When such stations are reconnected, Service Connection Charges will apply for each station reconnected.

(3) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.

(4) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period shall be applicable.

Certain material previously on this sheet now appears on Sheet 39.4

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Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

Eleventh Revised Sheet 39.6
Cancels Tenth Revised Sheet 39.6

E636
Exhibit 41C

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### C. CENTREX II - CO SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment is located in buildings owned or leased by the Telephone Company and the manual switching equipment is on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed directly if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

5. Charges
   a. Attendant Positions

| | Installation Charge | Monthly Charge |
|---|---|---|
| (1) Console, per position | $223.30 | $167.45 |
| (2) Switchboard (Universal Type), per position | 279.10 | 195.35 |

   b. Main Stations - Monthly Charges
      (1) Regular Service
         (a) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group D∅ | (D) |
|---|---|---|---|
| First 250 Stations, each | $9.50 ($7.10*) | $10.60 ($7.55*) | |
| Next 250 Stations, each | 7.80 ( 5.85*) | 8.65 ( 6.25*) | |
| Next 500 Stations, each | 7.55 ( 6.00*) | 8.10 ( 6.05*) | |
| All Add'l Stations, each | 7.25 ( 6.30*) | 7.55 ( 6.05*) | |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Not offered in zones of Detroit District Exchange. (C)
∅ Not offered in zones of Detroit District Exchange. Offered on a temporary basis |
in other Group D exchanges and zones until October 16, 1973. (C)

         (b) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $10.90 ($9.40*) |
| Next 250 Stations, each | 8.95 ( 7.60*) |
| Next 500 Stations, each | 7.80 ( 6.55*) |
| All Add'l Stations, each | 6.70 ( 5.75*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

      (2) Metropolitan Service

| | |
|---|---|
| First 250 Stations, each | $13.70 ($9.40*) |
| Next 250 Stations, each | 11.70 ( 7.55*) |
| Next 500 Stations, each | 10.60 ( 6.55*) |
| All Add'l Stations, each | 9.50 ( 5.75*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service.

: Certain material previously on this sheet now appears on Sheet 39.7

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By L. J. Haynes, Vice President
Detroit, Michigan

E637
Exhibit 41C

ADV. #120 FILED WITH M.P.S.C. 10-9-72
TRANS. TO COMPT. OPERS. 10-10-72

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

B. CENTREX I - CU SYSTEMS (Continued)

5. Charges (Continued)

| | Monthly Charges |
|---|---|
| c. Extension Stations, each | |
| Flat Rate Service | $3.90 |
| Message Rate Service and Metropolitan Service | 3.65 |

. Minimum Charges
A minimum monthly charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and mileage charges, is applicable for each system.

e. Channel Charges
(1) Main Stations located in same central office area in which Dial Switching Equipment is located:
(a) Within Base Rate Area - No Mileage Charge.
(b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Boundary.
(2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone).
Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.
(3) Extension Stations
Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

f. Central Office Trunks
Normal Exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.
(1) Regular Service (C)
Company Except Detroit District Exchange
Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided. (C)
All Zones of Detroit District Exchange
Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1 for the zone from (T) which service is provided. (T)
(2) Metropolitan Service
Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

g. Initial Contract Period and Termination Charges
(1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to: 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled monthly charges for the unexpired portion of the contract period based on the charges in effect at the time service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.
(2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.
(3) Where a contract is cancelled before installation is completed a termination charge consisting of the loss in equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period, shall be applicable.

Certain material previously on this sheet now appears on Sheet 39.6

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By L. J. Haynes, Vice President
Detroit, Michigan

E638
Exhibit 41C

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### B. CENTREX I - CU SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, indentified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls and call transfer-attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment and the attendant positions are located on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed directly if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

5. Charges

| | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Consoles, per position | $223.30 | $167.45 |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | $279.10 | $195.35 |

b. Main Stations - Monthly Charges

(1) Regular Service

(a) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group Dø | |
|---|---|---|---|
| First 250 Stations, each | $7.05 ($4.65*) | $8.15 ($5.10*) | (D) |
| Next 250 Stations, each | 6.20 ( 4.25*) | 7.05 ( 4.65*) | |
| Next 500 Stations, each | 5.90 ( 4.35*) | 6.50 ( 4.45*) | |
| All Add'l Stations, each | 5.65 ( 4.70*) | 5.90 ( 4.40*) | |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Not offered in zones of Detroit District Exchange. (C)
ø Not offered in zones of Detroit District Exchange. Offered on a temporary basis in other Group D exchanges and zones until October 16, 1973. (C)

(b) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $8.35 ($6.85*) |
| Next 250 Stations, each | 7.25 ( 5.90*) |
| Next 500 Stations, each | 6.15 ( 4.90*) |
| All Add'l Stations, each | 5.00 ( 4.05*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

(2) Metropolitan Service

| | |
|---|---|
| First 250 Stations, each | $11.15 ($6.85*) |
| Next 250 Stations, each | 10.05 ( 5.90*) |
| Next 500 Stations, each | 8.95 ( 4.90*) |
| All Add'l Stations, each | 7.80 ( 4.05*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service.

Certain material previously on this sheet now appears on Sheet 39.5

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By L. J. Haynes, Vice President
Detroit, Michigan

Exhibit 41C

ADV. #1211 FILED WITH M.P.S.C. 10 9 72
TRANS. TO COMPT. OPERS 10 10 72

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

C. CENTREX II - CO SYSTEMS (Continued)

5. Charges (Continued)

| c. Extension Stations, each | Monthly Charges |
|---|---|
| Flat Rate Service | $3.90 |
| Measured Rate Service and Metropolitan Service | 3.65 |

d. Station instruments are provided in color as manufactured at the charges preceding.

e. Minimum Charges

A minimum monthly charge equal to the monthly charge for 150 main stations, excluding charges for manual switching equipment, extension stations and channel charges, is applicable for each system.

f. Channel Charges

(1) Main Stations located in same central office (wire center) area in which the Dial Switching Equipment is located:
   (a) Within Base Rate Area - No Mileage Charge
   (b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary.

(2) Main Stations located in a different central office (wire center) area than the one in which the Dial Switching Equipment is located (same exchange or zone).

| | Per Channel, Per Month |
|---|---|
| (a) Option I | |
| (i) Detroit Zone | |
| (A) Main stations and Dial Switching Equipment in same zone rate area | $ 5.60 |
| (B) Main stations and Dial Switching Equipment in adjacent zone rate areas | 11.15 |
| (C) Main station and Dial Switching Equipment in nonadjacent zone rate areas | 16.75 |
| (ii) Company except Detroit Zone | 5.60 |

(b) Option II
   (i) Between the central office in which the Dial Switching Equipment is located and the premises in which the stations are located.

| | |
|---|---|
| (A) Basic Charge, per month | $111.65 |
| (B) Plus Channel Charge, each channel, per month | 8.95 |

(3) Extension Stations
Channel charges as specified for extension stations under Interbuilding Channel Charges in this Tariff.

g. Central Office Trunks
Normal exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.

(1) Regular Service (C)
Company Except Detroit District Exchange
Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided. (C)
All Zones of Detroit District Exchange
Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1 for the zone from which service is provided. (T) (T)

(2) Metropolitan Service
Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

Certain material previously on this sheet now appears on Sheet 39.8

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By L. J. Haynes, Vice President
Detroit, Michigan

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

E640
Exhibit 41C

Eighth Revised Sheet 39.8
Cancels Seventh Revised Sheet 39.8

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

ADV. #[illegible] FILED WITH M.P.S.C. [illegible]
TRANS. TO COMPL. OPERS. 10-10-[illegible]

CENTREX DIAL P.B.X. SYSTEMS

C. CENTREX II - CO SYSTEMS (Continued)

5. Charges (Continued)
   h. Initial Contract Period and Termination Charges
      (1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled charges for the unexpired portion of the contract period based on the charges in effect at the time the service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.
      (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.
      (3) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period shall be applicable.

D. CENTREX II - CU SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment and the attendant positions are located on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed direct if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

| 5. Charges | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Consoles, per position | $223.30 | $167.45 |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | $279.10 | $195.35 |

Certain material previously on this sheet now appears on Sheet 39.9

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By L. J. Haynes, Vice President
Detroit, Michigan

E641
Exhibit 41C

AUXILIARY SERVICES AND EQUIPMENT [illegible]

PRIVATE BRANCH EXCHANGE SYSTEMS [illegible]

CENTREX DIAL P.B.X. SYSTEMS

D. CENTREX II - CU SYSTEMS (Continued)

5. Charges (Continued)
   b. Main Stations - Monthly Charges
      (1) Regular Service

(a) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group D∅ | |
|---|---|---|---|
| First 250 Stations, each | $ 9.25 ($6.85*) | $10.40 ($7.35*) | (D) |
| Next 250 Stations, each | 7.60 ( 5.65*) | 8.45 ( 6.05*) | |
| Next 500 Stations, each | 7.30 ( 5.75*) | 7.85 ( 5.80*) | |
| All Add'l Stations, each | 7.05 ( 6.10*) | 7.30 ( 5.80*) | |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Not offered in zones of Detroit District Exchange. (C)
∅ Not offered in zones of Detroit District Exchange. Offered on a temporary basis in other Group D exchanges and zones until October 16, 1973. (C)

(b) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange |
|---|---|
| First 250 Stations, each | $10.60 ($9.10*) |
| Next 250 Stations, each | 8.65 ( 7.30*) |
| Next 500 Stations, each | 7.55 ( 6.30*) |
| All Add'l Stations, each | 6.40 ( 5.45*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

(2) Metropolitan Service

| | |
|---|---|
| First 250 Stations, each | $13.40 ($9.10*) |
| Next 250 Stations, each | 11.45 ( 7.30*) |
| Next 500 Stations, each | 10.35 ( 6.30*) |
| All Add'l Stations, each | 9.20 ( 5.45*) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service.

c. Extension Stations, each

| | Monthly Charges |
|---|---|
| Flat Rate Service | $3.90 |
| Message Rate Service and Metropolitan Service | 3.65 |

d. Station instruments are provided in color as manufactured or in black without additional charge.

e. Minimum Charges

A minimum monthly charge equal to the monthly charge for 150 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and channel charges, is applicable for each system.

Certain material previously on this sheet now appears on Sheet 39.10

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By L. J. Haynes, Vice President
Detroit, Michigan

E642
Exhibit 41C

ADV. #[illegible] FILED WITH M.P.S.C. [illegible]
TRANS. TO COMPT. OPERS. [illegible]

## CENTREX DIAL P.B.X. SYSTEMS

### D. CENTREX II - CU SYSTEMS (Continued)

### 5. Charges (Continued)

f. Channel Charges
  (1) Main Stations located in same central office area in which Dial Switching Equipment is located:
    (a) Within Base Rate Area - No Mileage Charge.
    (b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary.
  (2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone):
    Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.
  (3) Extension Stations:
    Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

g. Central Office Trunks
Normal Exchange central office trunks are provided as required at no additional charge except for messages originated on such trunks.
  (1) Regular Service
    Company Except Detroit District Exchange (C)
      Trunks have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.
    All Zones of Detroit District Exchange (C)
      Trunks have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1 for the zone (T)
      from which service is provided. (T)
  (2) Metropolitan Service
      Trunks have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

h. Initial Contract Period and Termination Charges
  (1) The initial contract period is five years in the same location starting with the date service is established. Termination charges will apply to: 1) all attendant positions, and 2) the number of main stations specified in the initial contract. Termination charges are applicable in the event of complete removal of the service and also in the event of discontinuance of attendant positions or a reduction in the number of main stations initially contracted for in cumulative amounts of 50 stations prior to the expiration of the contract period and shall be an amount equal to 50% of the unbilled monthly charges for the unexpired portion of the contract period based on the charges in effect at the time service is established. For termination charge purposes 50% of the rates for Regular Service main stations will be used in all cases.
  (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.
  (3) Where a contract is cancelled before installation is completed a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period, shall be applicable.

E643
Exhibit 41C

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

ADV. #1205 FILED WITH M.P.S.C. 8-23-72
TRANS. TO COMPT. OPERS. 8-21-72

Twelfth Revised Sheet 39.1
Cancels Eleventh Revised Sheet 39.1

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

A. CENTREX I - CO SYSTEMS (Continued)

7. Residence Stations are furnished to the college or university upon the condition that use of the service shall not be made subject to any charge by the college or university in excess of the charges of the Telephone Company.

8. **Charges**

| | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Console, per position | $223.30 | $167.45 |
| (2) Switchboard (Universal Type), per position | 279.10 | 195.35 |

b. Main Stations - Monthly Charges
(1) Regular Service
(a) Business Stations
(i) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group D∅ | Rate Group E∅ | |
|---|---|---|---|---|
| First 250 Stations, each | $7.25 ($4.65*) | $8.35 ($5.30*) | $9.50 ($5.10*) | (T) |
| Next 250 Stations, each | 6.40 ( 4.45*) | 7.25 ( 4.85*) | 8.35 ( 4.50*) | \| |
| Next 500 Stations, each | 6.15 ( 4.60*) | 6.70 ( 4.65*) | 7.55 ( 4.00*) | \| |
| All Add'l Stations, each | 5.85 ( 4.90*) | 6.15 ( 4.65*) | 6.70 ( 3.95*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

#Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972.

∅Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

(ii) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $8.65 ($7.15*) | (T) |
| Next 250 Stations, each | 7.55 ( 6.20*) | \| |
| Next 500 Stations, each | 6.40 ( 5.15*) | \| |
| All Add'l Stations, each | 5.30 ( 4.35*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Business Measured Service in Tariff M.P.S.C. No. 1.

(b) Residence Stations

(i) Non-restricted residence stations are provided at a charge which is $0.20 less than the charge for Residence Individual Line Flat Rate Service in the various Exchanges and Zones as specified in Tariff M.P.S.C. No. 1. This charge provides the same Local Service Area calling privileges and message charges as are applicable for Individual Line Flat Rate Service.

Special Toll Billing Arrangement

For residence stations furnished in university-provided housing where the Telephone Company assumes the responsibility of collecting from the individual users and bills toll charges directly to the stations, a special toll billing arrangement charge of $0.20 applies for each statement rendered.

(ii) Restricted residence stations are provided at a charge of $3.35 each per month.

(2) Metropolitan Service

| | | |
|---|---|---|
| First 250 Stations, each | $11.45 ($7.15*) | (T) |
| Next 250 Stations, each | 10.35 ( 6.20*) | \| |
| Next 500 Stations, each | 9.20 ( 5.15*) | \| |
| All Add'l Stations, each | 8.10 ( 4.35*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

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* Amount applicable for the Intercommunication portion of the service. (T)

Issued under authority of Mich. Pub. Serv. Comm. Order dated August 14, 1972, Case No. U-4167

Issued: August 21, 1972 Effective: August 25, 1972

By L. J. Haynes, Vice President

E644
Exhibit 41C

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

ADV. #1265 FILED WITH M.P.S.C. 8-23-72
TRANS. TO COMPT. OPERS. 8-21-72

Tenth Revised Sheet 39.4
Cancels Ninth Revised Sheet 39.4

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

### CENTREX DIAL P.B.X. SYSTEMS

### B. CENTREX I - CU SYSTEMS (Continued)

| | Installation Charge | Monthly Charge |
|---|---|---|
| 5. Charges | | |
| a. Attendant Positions | | |
| (1) Consoles, per position | $223.30 | $167. |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | 279.10 | 195.35 |

b. Main Stations - Monthly Charges
(1) Regular Service

(a) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group Dø | Rate Group Eø | |
|---|---|---|---|---|
| First 250 Stations, each | $7.05 ($4.65*) | $8.15 ($5.10*) | $9.20 ($4.80*) | (T) |
| Next 250 Stations, each | 6.20 ( 4.25*) | 7.05 ( 4.65*) | 8.10 ( 4.25*) | \| |
| Next 500 Stations, each | 5.90 ( 4.35*) | 6.50 ( 4.45*) | 7.25 ( 3.70*) | \| |
| All Addl. Stations, each | 5.65 ( 4.70*) | 5.90 ( 4.40*) | 6.40 ( 3.65*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972.

ø Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

(b) Measured Rate Service

| | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $8.35 ($6.85*) | (T) |
| Next 250 Stations, each | 7.25 ( 5.90*) | \| |
| Next 500 Stations, each | 6.15 ( 4.90*) | \| |
| All Addl. Stations, each | 5.00 ( 4.05*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

(2) Metropolitan Service

| | | |
|---|---|---|
| First 250 Stations, each | $11.15 ($6.85*) | (T) |
| Next 250 Stations, each | 10.05 ( 5.90*) | \| |
| Next 500 Stations, each | 8.95 ( 4.90*) | \| |
| All Addl. Stations, each | 7.80 ( 4.05*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service. (T)

d. Extension Stations, each
(1) Monthly Charges

| | |
|---|---|
| Flat Rate Service | $3.90 |
| Message Rate Service and Metropolitan Service | $3.65 |

e. Minimum Charges
A minimum Monthly Charge equal to the monthly charge for 250 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and mileage charges, is applicable for each system.

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Issued under authority of Mich. Pub. Serv. Comm. Order dated August 14, 1972, Case No. U-4167

Issued: August 21, 1972
Effective: August 25, 1972

By L. J. Haynes, Vice President
Detroit, Michigan

E645
Exhibit 41C

Michigan Bell Telephone Co.
Tariff M.P.S.C. No. 2

ADV. #1205 FILED WITH M.P.S.C. 8-23-'72
TRANS. TO COMPT. OPERS. 8-21-72

Tenth Revised Sheet 39.6
Cancels Ninth Revised Sheet 39.6

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

C. CENTREX II - CO SYSTEMS (Continued)

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed directly if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

5. **Charges**

| | Installation Charge | Monthly Charge |
|---|---|---|
| a. **Attendant Positions** | | |
| (1) Console, per position | $223.30 | $167.45 |
| (2) Switchboard (Universal Type), per position | 279.10 | 195.35 |

b. Main Stations - Monthly Charges
(1) Regular Service

(a) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group D⌀ | Rate Group E⌀ | |
|---|---|---|---|---|
| First 250 Stations, each | $9.50 ($7.10*) | $10.60 ($7.55*) | $11.70 ($7.30*) | (T) |
| Next 250 Stations, each | 7.80 ( 5.85*) | 8.65 ( 6.25*) | 9.75 ( 5.90*) | \| |
| Next 500 Stations, each | 7.55 ( 6.00*) | 8.10 ( 6.05*) | 8.95 ( 5.40*) | \| |
| All Addl. Stations, each | 7.25 ( 6.30*) | 7.55 ( 6.05*) | 8.10 ( 5.35*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

#Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972.

⌀Temporary offering until October 16, 1972 in suburban Zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $10.90 ($9.40*) | (T) |
| Next 250 Stations, each | 8.95 ( 7.60*) | \| |
| Next 500 Stations, each | 7.80 ( 6.55*) | \| |
| All Addl. Stations, each | 6.70 ( 5.75*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

| (2) Metropolitan Service | | |
|---|---|---|
| First 250 Stations, each | $13.70 ($9.40*) | (T) |
| Next 250 Stations, each | 11.70 ( 7.55*) | \| |
| Next 500 Stations, each | 10.60 ( 6.55*) | \| |
| All Addl. Stations, each | 9.50 ( 5.75*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service. (T)

d. Extension Stations, each
(1) Monthly Charges
Flat Rate Service $3.90
Measured Rate Service and Metropolitan Service $3.65

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Issued under authority of Mich. Pub. Serv. Com. Order dated August 14, 1972, Case No. U-4167

Issued: August 1, 1972

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E646

Exhibit 41C

ADV. #1205 FILED WITH M.P.S.C. 8-23-72

TRANS. .O 'OMPI. OPE.S. 8-21-72

## AUXILIARY SERVICES AND EQUIPMENT

## PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEM

C. CENTREX II - CO SYSTEMS (Continued)

5. Charges (Continued)
   i. Initial Contract Period and Termination Charges
      (2) Where a contract for this service is cancelled after the installation of the required equipment and facilities is completed, but before service is established, the termination charge shall be applicable as specified in (1) preceding.
      (3) Where a contract is cancelled before installation is completed, a termination charge consisting of the loss on equipment and facilities in the process of building or being installed, the installation labor, the labor cost of removal and other expenses not to exceed 50% of the unbilled monthly charges for the 5-year period shall be applicable.

D. CENTREX II - CU SYSTEMS

1. The basic service features provided are: direct inward dialing, direct outward dialing, identified outward toll dialing, station/station calling, station hunting, restriction from outgoing calls, call transfer - individual, add-on, consultation hold, trunk answer from any station and call transfer - attendant.

2. The Centrex dial P.B.X. systems covered herein will require certain physical arrangements of the facilities of the Telephone Company and are therefore subject to the availability of such facilities.

3. The dial switching equipment and the attendant positions are located on the customer's premises.

4. The Telephone Company will furnish without charge one listing for a customer in the regular exchange directory in addition to a sublisting indicating that stations may be dialed direct if the number is known. Individual listings of stations are also provided wherein the department, title or individual name will be listed either as an indented listing under the main listing or in the regular alphabetical section at the charge specified for Extra Listings for business service in this Tariff.

| 5. Charges | Installation Charge | Monthly Charge |
|---|---|---|
| a. Attendant Positions | | |
| (1) Consoles, per position | $223.30 | $167.45 |
| (2) Switchboards | | |
| (a) Same charges as specified for switchboards, except Universal Type, associated with Series 100 Systems | | |
| (b) Universal Type, per position | $279.10 | $195.35 |

b. Main Stations - Monthly Charges
   (1) Regular Service

(a) Flat Rate Service

| | Rate Groups A, B & C# | Rate Group Dø | Rate Group Eø | |
|---|---|---|---|---|
| First 250 Stations, each | $ 9.25 ($[illegible]5*) | $10.40 ($7.35*) | $11.45 ($7.05*) | (T) |
| Next 250 Stations, each | 7.60 ( 5.65*) | 8.45 ( 6.05*) | 9.50 ( 5.65*) | |
| Next 500 Stations, each | 7.30 ( 5.75*) | 7.85 ( 5.80*) | 8.65 ( 5.10*) | |
| All Add'l Stations, each | 7.05 ( 6.10*) | 7.30 ( 5.80*) | 7.80 ( 5.05*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Flat Rate Business Service in Tariff M.P.S.C. No. 1 for the exchange or zone from which service is provided.

# Temporary offering in suburban zones of the Detroit District Exchange until October 16, 1972.

ø Temporary offering until October 16, 1972 in suburban zones of the Detroit District Exchange and until October 16, 1973 in other District Exchanges and Exchanges.

* Amount applicable for the Intercommunication portion of the service. (T)

Issued under authority of Mich. Pub. Serv. Comm. Order dated August 14, 1972, Case No. U-4167

Issued: August 21, 1972

Effective: August 25, 1972

By L. J. Haynes, Vice President
Detroit, Michigan

E647

Exhibit 41C

ADV. #1265 FILED WITH M.P.S.C. 8-23-72

TRANS. TO COMPT. OPERS. 8-21-72

AUXILIARY SERVICES AND EQUIPMENT

PRIVATE BRANCH EXCHANGE SYSTEMS

CENTREX DIAL P.B.X. SYSTEMS

D. CENTREX II - CU SYSTEMS (Continued)

5. Charges
  b. Main Stations - Monthly Charges (Continued)
    (1) Regular Service

| (b) Measured Rate Service | Rate Groups D, E, F and Detroit District Exchange | |
|---|---|---|
| First 250 Stations, each | $10.60 ($9.10*) | (T) |
| Next 250 Stations, each | 8.65 ( 7.30*) | |
| Next 500 Stations, each | 7.55 ( 6.30*) | |
| All Add'l Stations, each | 6.40 ( 5.45*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Measured Business Service in Tariff M.P.S.C. No. 1.

(2) Metropolitan Service

| | | |
|---|---|---|
| First 250 Stations, each | $13.40 ($9.10*) | (T) |
| Next 250 Stations, each | 11.45 ( 7.30*) | |
| Next 500 Stations, each | 10.35 ( 6.30*) | |
| All Add'l Stations, each | 9.20 ( 5.45*) | (T) |

The stations have the same Local Service Area calling privileges and message charges as specified for Metropolitan Business Service in Tariff M.P.S.C. No. 1.

* Amount applicable for the Intercommunication portion of the service. (T)

d. Extension Stations, each
  (1) Monthly Charges
    Flat Rate Service $3.90
    Message Rate Service and Metropolitan Service $3.65

e. Station instruments are provided in color as manufactured or in black without additional charge.

f. Minimum Charges

A minimum monthly charge equal to the monthly charge for 150 Regular Service main stations, excluding charges for manual switching equipment, extension stations, and channel charges, is applicable for each system.

g. Channel Charges
  (1) Main Stations located in same central office area in which dial switching equipment is located:
    (a) Within Base Rate Area - No Mileage Charge.
    (b) Outside Base Rate Area - $0.85 per 1/4 mile or fraction, airline mileage per month, measured from the station location to the nearest point on the Base Rate Area boundary.

  (2) Main Station located in a different central office area than the one in which the dial switching equipment is located (same exchange or zone):

    Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

  (3) Extension Stations:
    Channel charges as specified for P.B.X. stations under Interbuilding Channel Charges in this Tariff.

Issued under authority of Mich. Pub. Serv. Comm. Order dated August 14, 1972, Case No. U-4167

Issued: August 21, 1972

Effective: August 25, 1972

By L. J. Haynes, Vice President

E648
EXHIBIT 41D
Tariff pages filed by Chesapeake and Potomac
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Second Revision of Sheet 1
Cancelling First Revision of Sheet 1
Fourth Revision of Sheet 2
Third Revision of Sheet 3
Second Revision of Sheet 4
First Revision of Sheet 5
Second Revision of Sheet 6
Second Revision of Sheet 7
Original Sheet 8
Original Sheet 9
Original Sheet 10
Original Sheet 11
First Revision of Sheet 12

## CENTREX SERVICE

The regulations and rates pertaining to Centrex Service are now contained in P.S.C.-D.C.-No. 203.

USA 83a-475
(ED. 4-23-71)
PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
41D

FPI-MI—9-24-75-50M-4417

PROTECTED

Issued: May 28, 1971
Effective: June 7, 1971

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E649
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 1
Cancelling Original Sheet 1

## CENTREX SERVICE*

### A. GENERAL

Centrex I and Centrex II Services include the facilities necessary for intercommunication between stations within a customer's system, in and out exchange lines, direct in-dialing to stations, attendant transfer of incoming calls from one station line to another, identification and billing of outgoing toll messages by station number, night connection arrangements, interception of calls to unassigned numbers, and attendant positions for assistance requirements. (N)

Centrex II Service also includes the facilities necessary for trunk answer from any station, and on calls incoming from the exchange, call transfer-individual, consultation hold, and add-on. (N)

### B. REGULATIONS

1. Explanation of Terms

   a. Centrex System (N)

   Centrex stations with the same primary directory listing and attendant positions constitute a Centrex System. (N)

   b. Centrex Line

   A Centrex line is a line connecting a station or stations to Centrex dial switching equipment.

   c. Centrex Stations

   (1) Main - The first station, or the first appearance in other than a station, of a Centrex line having access to other than just stations on the same Centrex System.

   (2) Fully Restricted - The first station, or the first appearance in other than a station, of a Centrex line which is equipped only to make calls to and receive calls from other stations on the Centrex System.

   (3) Bridged - An additional station on a Centrex line which is located on the same premises as the associated Main or Fully Restricted Station.

POSTED

* Centrex Service regulations and rates previously authorized are cancelled and superseded as specified herein.

CANCELLED JUN 0 7 1971

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Issued: May 9, 1967 Effective: For new services on June 1, 1967, and for existing services on the billing dates in June, 1967.

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E650
Exhibit 41D
P. U. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 1

## CENTREX SERVICE

### A. GENERAL

1. Centrex Service includes the facilities necessary for intercommunication between stations within a customer's system, in and out exchange lines, direct in-dialing to stations, transfer of incoming calls from one station line to another, identification and billing of outgoing toll messages by station number, night connection arrangements, interception of calls to unassigned numbers, and attendant positions for assistance requirements.

2. Centrex Service is furnished, subject to the availability of facilities, by means of standard telephone instruments and dial switching equipment located on the customer's premises or, at the option of the Telephone Company, by means of dial switching equipment located on premises of the Telephone Company.

3. Where the dial switching equipment is located on the customer's premises, and the dial switching equipment and attendant positions are not located in the same or immediately adjacent rooms on the same floor, or are separated by over 100 feet, special charges based on costs may apply for the additional cable and for any additional maintenance.

4. Centrex Service is classified as Business Service. One primary directory listing will be furnished for each Centrex System. Regular additional listings and special types of additional listings will be furnished as set forth in P.U.C.-D.C.-No. 10.

5. All operating at the customer's premises will be performed at the expense of the customer, and will conform with the rules and regulations which the Telephone Company may adopt to maintain a proper standard of service.

6. One operator's telephone set and one position dial will be furnished where required without additional charge for each console or switchboard position. One operator's chair will be furnished without charge in connection with each position of switchboard when, because of the height of the keyshelf, a standard height chair will not meet normal requirements.

7. Commercial power and power outlets required on the customer's premises for the operation of a Centrex System will be provided by the customer at his expense.

Issued: December 13, 1962 Effective: January 1, 1963

By D. R. McGuirk, General Commercial Manager, 930 H Street, N.W., Washington, D.C.

E651
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Fourth Revision of Sheet 2
Cancelling Third Revision of Sheet 2

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

1. Explanation of Terms (Cont'd)

   d. Primary Location

   Each Centrex System has one primary location which is a premises designated by the customer.

   e. Secondary Location

   A secondary location is a premises of the customer other than that of the primary location where stations are served by the same Centrex System.

2. Centrex Service is furnished, subject to the availability of facilities, by means of standard telephone instruments and dial switching equipment located on the customer's premises or, at the option of the Telephone Company, by means of dial switching equipment located on premises of the Telephone Company.

3. Centrex Service is classified as Business Message Rate Service. (x)

4. Centrex II Service will only be provided where all Centrex Main Stations of the Centrex System are so equipped.

5. Where the dial switching equipment is located on the customer's premises, and the dial switching equipment and attendant positions are not located in the same or immediately adjacent rooms on the same floor, or are separated by over 100 feet, special charges based on costs may apply for the additional cable and for any additional maintenance. Where attendant positions are not at the primary location additional charges based on costs may apply.

6. One operator's headset assembly and one position dial will be furnished where required without additional charge for each console or switchboard position. One operator's chair will be furnished without charge in connection with each position of switchboard when, because of the height of the keyshelf, a standard height chair will not meet normal requirements.

CANCELLED
JUN 07 1971

(x) Material transferred from P.S.C.-D.C.-No. 1, Thirty-second Revision of Sheet 3.

Material omitted from this sheet now appears in P.S.C.-D.C.-No. 203.

Issued: July 20, 1970 Effective: July 30, 1970

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E652
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Third Revision of Sheet 2
Cancelling Second Revision of Sheet 2

## CENTREX SERVICE

E. REGULATIONS (Cont'd)

1. Explanation of Terms (Cont'd)

d. Primary Location

Each Centrex System has one primary location which is a premises designated by the customer. (C) (C)

e. Secondary Location (N)

A secondary location is a premises of the customer other than that of the primary location where stations are served by the same Centrex System. (N)

2. Centrex Service is furnished, subject to the availability of facilities, by means of standard telephone instruments and dial switching equipment located on the customer's premises or, at the option of the Telephone Company, by means of dial switching equipment located on premises of the Telephone Company.

3. Centrex Service is classified as Business Service. One primary directory listing will be furnished for each Centrex System. Regular additional listings and special types of additional listings will be furnished as set forth in P.S.C. - D.C. - No. 10. The Telephone Company may furnish without charge, informative wording associated with the primary listing, to indicate that stations of the system may be dialed directly. (N)

4. Centrex II Service will only be provided where all Centrex Main Stations of the Centrex System are so equipped. (N)

5. Where the dial switching equipment is located on the customer's premises, and the dial switching equipment and attendant positions are not located in the same or immediately adjacent rooms on the same floor, or are separated by over 100 feet, special charges based on costs may apply for the additional cable and for any additional maintenance. Where attendant positions are not at the primary location additional charges based on costs may apply. (N) (N)

6. One operator's headset assembly and one position dial will be furnished where required without additional charge for each console or switchboard position. One operator's chair will be furnished without charge in connection with each position of switchboard when, because of the height of the keyshelf, a standard height chair will not meet normal requirements.

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Issued: May 9, 1967 Effective: For new services on June 1, 1967, and for existing services on the billing dates in June, 1967.

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E653
Exhibit 41D

## CENTREX SERVICE

### A. GENERAL (Cont'd)

8. The provision of Centrex Service is subject to a continuing minimum monthly revenue guarantee equal to a charge for 150 unrestricted or partially restricted main stations on a least one premises.

9. Where quantities of switching equipment or central office lines in excess of those considered adequate by the Telephone Company are requested by the customer, such additional facilities will be furnished at rates and charges based on costs.

10. The rates and charges shown in C., following, apply for standard installations of this service. Supplemental equipment and other services, as provided for elsewhere in these tariffs, may be furnished, where applicable, in connection with Centrex Service. Special arrangements of equipment and service will be provided at charges based on the cost of furnishing such equipment or service.

### B. DEFINITIONS OF TERMS

A Centrex line is a line connecting a station or stations to Centrex dial switching equipment.

An unrestricted main station is the first station, or the first appearance in other than a station, of a Centrex line which has access to or from the general exchange system.

A partially restricted main station is a main station with some restrictions, but having access to other than just stations on the same Centrex System. It will be charged for and treated as an unrestricted main station, except additional charges apply when restricted from toll service and, or private line switched networks. (T)

A fully restricted main station is a main station which is equipped only to make calls to and receive calls from other stations connected to the same customer's Centrex System.

A bridged station is an additional station on a Centrex line which is located on the same premises as the associated main station.

A primary location is the building in which the customer's switchboard or console positions are located.

A satellite is dial switching equipment arranged for Centrex operation which is located on a premises of the customer other than his primary location, connected to the Centrex System by tie lines, and at which there is no attendant position.

E654
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 2
Cancelling Original Sheet 2

CENTREX SERVICE

24832

## A. GENERAL (Cont'd)

8. The provision of Centrex Service is subject to a continuing minimum monthly revenue guarantee equal to a charge for 150 unrestricted or partially restricted main stations on at least one premises.

9. Where quantities of switching equipment or central office lines in excess of those considered adequate by the Telephone Company are requested by the customer, such additional facilities will be furnished at rates and charges based on costs.

10. The rates and charges shown in C., following, apply for standard installations of this service. Supplemental equipment and other services, as provided for elsewhere in these tariffs, may be furnished, where applicable, in connection with Centrex Service. Special (T)
arrangements of equipment and service will be provided at charges |
based on the cost of furnishing such equipment or service. (T)

## B. DEFINITIONS OF TERMS

A Centrex line is a line connecting a station or stations to Centrex dial switching equipment.

An unrestricted main station is the first station, or the first appearance in other than a station, of a Centrex line which has access to or from the general exchange system.

A partially restricted main station is a main station with some restrictions, but having access to other than just stations on the same Centrex System. It will be charged for and treated as an unrestricted main station, except additional charges apply when restricted from toll service. (T)

A fully restricted main station is a main station which is equipped only to make calls to and receive calls from other stations connected to the same customer's Centrex System.

A bridged station is an additional station on a Centrex line which is located on the same premises as the associated main station.

A primary location is the building in which the customer's switchboard or console positions are located.

A satellite is dial switching equipment arranged for Centrex operation which is located on a premises of the customer other than his primary location, connected to the Centrex System by tie lines, and at which there is no attendant position.

Issued: June 29, 1966

Effective: July 9, 1966

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E655
Exhibit 41D

## CENTREX SERVICE

### A. GENERAL (Cont'd)

8. The provision of Centrex Service is subject to a continuing minimum monthly revenue guarantee equal to a charge for 150 unrestricted or partially restricted main stations on at least one premises.

9. Where quantities of switching equipment or central office lines in excess of those considered adequate by the Telephone Company are requested by the customer, such additional facilities will be furnished at rates and charges based on costs.

10. The rates and charges shown in C., following, apply for standard installations of this service. Supplemental equipment and other services, as provided for elsewhere in these tariffs, may be furnished in connection with Centrex Service.

### B. DEFINITIONS OF TERMS

A Centrex line is a line connecting a station or stations to Centrex dial switching equipment.

An unrestricted main station is the first station, or the first appearance in other than a station, of a Centrex line which has access to or from the general exchange system.

A partially restricted main station is a main station with some restrictions, but having access to other than just stations on the same Centrex System. It will be charged for and treated as an unrestricted main station.

A fully restricted main station is a main station which is equipped only to make calls to and receive calls from other stations connected to the same customer's Centrex System.

A bridged station is an additional station on a Centrex line which is located on the same premises as the associated main station.

A primary location is the building in which the customer's switchboard or console positions are located.

A satellite is dial switching equipment arranged for Centrex operation which is located on a premises of the customer other than his primary location, connected to the Centrex System by tie lines, and at which there is no attendant position.

E656
Exhibit 41D
P. S. C. - D. C. - No. 31

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

7. Where quantities of switching equipment or central office lines in excess of those considered adequate by the Telephone Company are requested by the customer, such additional facilities will be furnished at rates and charges based on costs.

8. The rates and charges shown in C. following, will apply for standard installations of this service. Supplemental equipment and other services, as provided for elsewhere in the Telephone Company's applicable tariffs may be furnished in connection with Centrex Service. Special arrangements of equipment and service will be provided at charges based on the cost of furnishing such equipment or service.

9. Commercial power and power outlets required on the customer's premises for the operation of a Centrex System will be provided by the customer at his expense.

10. All operating at the customer's premises will be performed at the expense of the customer, and will conform with the rules and regulations which the Telephone Company may adopt to maintain a proper standard of service.

11. Conversions to Centrex from 3 or More Digit Dial Private Branch Exchange Systems

    a. Attendant Positions

        (1) A present dial Private Branch Exchange customer with three or more digit dial system may convert to Centrex Service and retain his present attendant positions, but will be unable to obtain full Centrex attendant operation with these positions.

        (2) Where a customer retains any or all of his switchboard positions in place, no termination obligation shall apply to such positions which have been at that location for three years or more.

        (3) Where an attendant position which is retained has been at the same location for less than three years, and is not moved or changed, the Private Branch Exchange five year initial contract period will not apply, but a new Centrex minimum revenue guarantee as provided in 13. following, shall apply for the remainder of the three year period. (T)

E657
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Second Revision of Sheet 3
Cancelling First Revision of Sheet 3

## CENTREX SERVICE

### C. RATES AND CHARGES

| | Per Month |
|---|---|
| 1. Attendant Positions | |
| a. Push button console or cord switchboard arranged for full Centrex operation, per position.......... | $ 125.00 |

2. Stations

a. Unrestricted or partially restricted main stations.

The schedule applies separately at each premises of the customer.

| Switching Equipment located on: | Each Station Per Month Each Premises<br>First 50 | <br>Next 250 | <br>Next 600 | <br>Over 900 |
|---|---|---|---|---|
| Customer Premises........... | $7.00 | $6.50 | $5.75 | $4.50 |
| Telephone Company Premises... | 7.50 | 7.00 | 6.25 | 5.00 |
| Message Units............... | See P.S.C. - D.C. - No. 1 | | | |

| | Per Month |
|---|---|
| b. Fully restricted main stations, each............... | $ 3.25 |
| c. Bridged stations, each........................... | 2.50 |

3. TOUCH-TONE Service (N)

a. TOUCH-TONE Service is provided under the conditions specified in P.S.C. - D.C. - No. 15.

The following rates for TOUCH-TONE Service are in addition to the rates and charges for attendant positions and stations or station lines of the associated Centrex System.

When a telephone equipped for TOUCH-TONE Service has an appearance of a TOUCH-TONE Service individual line, auxiliary line or intercommunicating line in addition to the appearance of a Centrex station line, the rate for a Centrex station or station line equipped for TOUCH-TONE Service applies in addition to the appropriate rates for such other TOUCH-TONE Services. (N)

Material omitted from this sheet now appears on First Revision of Sheet 4.

Issued: September 2, 1965 Effective: September 12, 1965
By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E658
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 3
Cancelling Original Sheet 3

## CENTREX SERVICE

### C. RATES AND CHARGES

1. Attendant Positions

| | Per Month |
|---|---|
| a. Push button console or cord switchboard arranged for full Centrex operation, per position | $125.00 |

2. Stations

a. Unrestricted or partially restricted main stations.

The schedule applies separately at each premises of the customer.

| Switching Equipment located on: | Each Station Per Month Each Premises<br>First 50 | Next 250 | Next 600 | Over 900 |
|---|---|---|---|---|
| Customer Premises | $7.00 | $6.50 | $5.75 | $4.50 |
| Telephone Company Premises | 7.50 | 7.00 | 6.25 | 5.00 |

Message Units.............. See P.S.C. - D.C. - No. 1 (T)

| | Per Month |
|---|---|
| b. Fully restricted main stations, each | $ 3.25 |
| c. Bridged stations, each | 2.50 |

3. Service Charges* (T)

a. A Service Charge of $4.00 applies to each Centrex station or station line termination connected.

b. The Service Charge for moving or changing line terminations as specified in P.S.C. - D.C. - No. 17, applies for each Centrex station or line termination moved or changed. (T)

* No charge applies to an existing station of a dial P.B.X. system which is converted to Centrex Service provided neither the dial switching equipment, switchboard nor the station is moved and the line termination at station equipment is not changed.

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Effective: August 7, 1965

Filed in accordance with P.S.C. - D. C. Order No. 4976, dated August 2, 1965.
By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E659
Exhibit 41D
P. U. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.　　Original Sheet 3

## CENTREX SERVICE

C. RATES AND CHARGES

Per Month

1. Attendant Positions

a. Push button console or cord switchboard arranged for full Centrex operation, per position　$125.00　RXX-1608 RXY-1609

2. Stations

a. Unrestricted or partially restricted main stations.
RXR 2X3　RWR RZR - all prem.

The schedule applies separately at each premises of the customer.

| Switching Equipment located on: | Each Station Per Month Each Premises First 50 | Next 250 | Next 600 | Over 900 | |
|---|---|---|---|---|---|
| Customer Premises | $7.00 | $6.50 | $5.75 | $4.50 | C2B-1409 |
| Telephone Company Premises | 7.50 | 7.00 | 6.25 | 5.00 | C3B-1408 |

Message Units
First 200 at 5¢ each
Next 100 at 4 1/4¢ each
All others at 3 3/4¢ each

| | Per Month | |
|---|---|---|
| b. Fully restricted main stations, each | $3.25 | RX6-2047<br>RX5-2039 |
| c. Bridged stations, each | 2.50 | RXT-2076<br>RX3-2046<br>RVY-602B |

3. Connection, Move and Change Charges*

| | |
|---|---|
| a. Each Centrex station, or station line termination, connected | $4.00 |
| Each Centrex station, or station line termination, moved or changed | Rates as specified in P.U.C.-D.C.No. 17 will apply |

* No charge applies to an existing station of a dial PBX system which is converted to Centrex Service provided neither the dial switching equipment, switchboard nor the station is moved and the line termination at station equipment is not changed.

Issued: December 15, 1962　　Effective: January 1, 1963

By D. R. McGuirk, General Commercial Manager, 930 H Street, N.W., Washington, D.C.

E660
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Second Revision of Sheet 4
Cancelling First Revision of Sheet 4

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

11. Conversions to Centrex from 3 or More Digit Dial Private Branch Exchange Systems (Cont'd)

a. Attendant Positions (Cont'd)

(4) When any switchboard positions are retained but are moved to another location, all outstanding termination obligations shall apply and the full Centrex minimum revenue guarantee shall apply in all cases at the new location. In addition, a charge equal to the charge for the connection of a Centrex station shall apply for each line terminated in the switchboard at the new location.

(5) Where the customer elects to replace his existing attendant positions with Centrex positions at the same or other location, any outstanding termination obligations applicable to the existing positions shall apply.

b. Dial Switching Equipment

(1) Where the present dial switching equipment is not moved, no outstanding termination obligations shall apply.

(2) Where the present dial switching equipment on the customer's premises is moved or the Centrex Service is provided from dial switching equipment on Telephone Company premises, all outstanding termination obligations under existing contracts shall apply.

12. Suspension of business service regulations as specified in P.S.C. - D. C. - No. 23 shall apply to Centrex Business Service. The suspended service rate must equal or exceed the Continuing Minimum Monthly Charge. (N)

13. Minimum Revenue Guarantees

a. Minimum revenue guarantees apply only to main stations and to attendant positions. Fully restricted and bridged stations are not included in any minimum revenue guarantees. (T)

Issued: May 9, 1967 Effective: For new services on June 1, 1967, and for existing services on the billing dates in June, 1967.

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E661
Exhibit 41D

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 4
Cancelling Original Sheet 4

## CENTREX SERVICE

C. RATES AND CHARGES (Cont'd)

3. TOUCH-TONE Service (Cont'd) (N)

| | Nonrecurring Charge | Per Month |
|---|---|---|
| b. Attendant positions and first 25 stations or station lines equipped for TOUCH-TONE...................... | $ 50.00#<br>Per Position | $50.00* |
| Additional stations, or station lines equipped for TOUCH-TONE, each....... | None | 1.25 |

* A minimum contract period of one year applies. (See E. 2. following for termination of contract.)

# Applies for the initial establishment of TOUCH-TONE Service. (N)

4. Service Charges* (x)

a. A Service Charge of $4.00 applies to each Centrex station or station line termination connected.

b. The Service Charge for moving or changing line terminations as specified in P.S.C. - D.C. - No. 17, applies for each Centrex station or line termination moved or changed.

* No charge applies to an existing station of a dial P.B.X. system which is converted to Centrex Service provided neither the dial switching equipment, switchboard nor the station is moved and the line termination at station equipment is not changed. (x)

5. Charges for Channels Connecting Different Premises

a. Extension and tie line mileage charges as specified in P.S.C. - D.C. - No. 11 apply between the primary location and the location of the station or satellite under the following conditions:

(1) Where a main station connected to a Centrex System is located outside the wire center area of the customer's primary location.

(x) Material transferred from First Revision of Sheet 3.
Material omitted from this sheet now appears on Original Sheet 4-A.

Issued: September 2, 1965 Effective: September 12, 1965

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E662
Exhibit 41D

P. U. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 4

## CENTREX SERVICE

### C. RATES AND CHARGES (Cont'd)

4. Charges for Channels Connecting Different Premises

a. Extension and tie line mileage charges as specified in P.U.C.-D.C.-No. 11 apply between the primary location and the location of the station or satellite under the following conditions:

(1) Where a main station connected to a Centrex System is located outside the wire center area of the customer's primary location.

(2) Where a satellite connected to a Centrex System is located outside the wire center area of the customer's primary location.

b. A satellite of a Centrex System shall be considered the customer's primary location for stations served by the satellite and for tie lines to another satellite of the same system.

### D. CONVERSIONS TO CENTREX FROM PRESENT THREE AND FOUR DIGIT DIAL PBX SYSTEMS

1. Attendant Positions

a. A present dial PBX customer with a three or four digit dial system may convert to Centrex and retain his present attendant positions, but will be unable to obtain full Centrex attendant operation with these positions.

b. Where a customer retains any or all of his switchboard positions in place, no termination obligation will apply to such positions which have been at that location for three years or more.

c. Where a multiple position has been at the same location for less than three years, and is not moved or changed, the PBX five year initial contract period will not apply but a new Centrex minimum revenue guarantee as provided in E. 1. c., following will apply for the remainder of the three year period.

d. When any switchboard positions are retained but moved to another location, all outstanding termination obligations shall apply and the full Centrex minimum revenue guarantee shall apply in all cases at the new location. In addition, a charge equal to the charge for the connection of a Centrex station shall apply for each line terminated in the switchboard at the new location.

Issued: December 13, 1962 Effective: January 1, 1963

By D. R. McGuirk, General Commercial Manager, 930 H Street, N.W., Washington, D.C.

E663
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 4-A

CENTREX SERVICE

C. RATES AND CHARGES (Cont'd) (x)

5. Charges for Channels Connecting Different Premises (Cont'd)

a. (Cont'd)

(2) Where a satellite connected to a Centrex System is located outside the wire center area of the customer's primary location.

b. A satellite of a Centrex System shall be considered the customer's primary location for stations served by the satellite and for tie lines to another satellite of the same system.

D. CONVERSIONS TO CENTREX FROM PRESENT THREE AND FOUR DIGIT DIAL P.B.X. SYSTEMS

1. Attendant Positions

a. A present dial P.B.X. customer with a three or four digit dial system may convert to Centrex and retain his present attendant positions, but will be unable to obtain full Centrex attendant operation with these positions.

b. Where a customer retains any or all of his switchboard positions in place, no termination obligation will apply to such positions which have been at that location for three years or more.

c. Where a multiple position has been at the same location for less than three years, and is not moved or changed, the P.B.X. five year initial contract period will not apply but a new Centrex minimum revenue guarantee as provided in E. 1. c., following will apply for the remainder of the three year period.

d. When any switchboard positions are retained but moved to another location, all outstanding termination obligations shall apply and the full Centrex minimum revenue guarantee shall apply in all cases at the new location. In addition, a charge equal to the charge for the connection of a Centrex station shall apply for each line terminated in the switchboard at the new location. (x)

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(x) Material transferred from Original Sheet 4.

Issued: September 2, 1965 Effective: September 12, 1965

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E664
Exhibit 41D
P. S. . - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 5
Cancelling Original Sheets 4-A and 5

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

13. Minimum Revenue Guarantees (Cont'd)

b. Centrex Main Stations

(1) On at least one premises of the customer, main stations are subject to a Continuing Minimum Monthly Charge which shall be the charges for 100 main stations at the appropriate Centrex I primary location schedule. (C) (C)

(2) All main stations of a Centrex System shall be subject to a Basic Minimum Revenue Guarantee for a period of three years. (T)

(3) When service is initially established, the Basic Minimum Revenue Guarantee is determined by applying the Centrex I - primary location schedule to 90 per cent of the immediately lower hundreds level below the number of main stations initially connected. The guarantee so determined shall not be less than the Continuing Minimum Monthly Charge. (C)

(4) When subsequent growth occurs, an Additional Minimum Revenue Guarantee will be established when the cumulative growth exceeds 20 stations beyond the next higher hundreds level above that previously established. The Additional Minimum Revenue Guarantee will apply for a period of three years and will be based on 90% of the additional hundreds level(s) above that previously established. (T)

(5) Centrex II rates will apply to all main stations for a minimum of one year following the establishment of such service. (N) (N)

c. The minimum revenue guarantee for each attendant position shall be equal to the monthly charge for three years at the same location beginning with the date of connection.

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Issued: May 9, 1967 Effective: For new services on June 1, 1967, and for existing services on the billing dates in June, 1967.

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E665
Exhibit 41D

## CENTREX SERVICE

## D. CONVERSIONS TO CENTREX FROM PRESENT THREE AND FOUR DIGIT DIAL PBX SYSTEMS (Cont'd)

1. Attendant Positions (Cont'd)

   e. Where the customer elects to replace his existing attendant positions with Centrex positions at the same or other location, any outstanding termination obligations applicable to the existing positions will apply.

2. Dial Switching Equipment

   a. Where the present dial switching equipment is not moved, no outstanding termination obligations will apply.

   b. Where the present dial switching equipment on the customer's premises is moved or the Centrex service is provided from dial switching equipment on Telephone Company premises, all outstanding termination obligations under existing contracts shall apply.

## E. MINIMUM REVENUE GUARANTEES AND TERMINATION OF SERVICE

1. Minimum Revenue Guarantees

   a. Minimum revenue guarantees apply only to unrestricted and partially restricted main stations and to attendant positions.

   b. Stations

      (1) Main stations are subject to a basic minimum revenue guarantee. On at least one premises of the customer, there shall be a continuing minimum revenue guarantee which shall be no less than the charges for 150 main stations. All main stations in excess of the minimum revenue guarantee requirement of 150 on that or other premises of the customer shall be subject to a basic minimum revenue guarantee for a period of three years.

      (2) When service is initially established, the minimum revenue guarantee is based on 90 per cent of the main stations connected, at the immediately lower hundreds level.

E666
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Second Revision of Sheet 6
Cancelling First Revision of Sheet 6

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

14. Termination of Service

a. When a Centrex System is disconnected in its entirety prior to the expiration of the minimum revenue guarantee periods for any or all parts of such system, a termination charge equal to one-half the charges applicable to the remainder of such periods shall apply. When a Centrex II System is disconnected in its (N)
entirety prior to the end of the first year following the establishment of such service, an additional termination charge applies, which is equal to the differential between main station rates on Centrex I and Centrex II schedules times the number of Centrex II Main Stations initially established, for the balance of such period. (N)

b. When a portion of the Centrex Main Stations is disconnected prior to the expiration of the minimum revenue guarantee periods and such disconnection reduces the number of such stations below those contracted for by the customer, the customer will continue to be charged for the number of such stations under contract for the duration of the minimum revenue guarantee periods. The last stations connected will be considered the first disconnected.

c. Termination charges are not applicable to attendant positions installed with the establishment of Centrex Service which are disconnected within 90 days.

When a Centrex attendant position which has been in service more than 90 days or which was installed subsequent to the initial establishment of Centrex Service, is disconnected prior to the expiration of its minimum revenue guarantee period and the Centrex System is not disconnected in its entirety, a termination charge equal to the full charge for the unexpired portion of the contract period shall apply to the disconnected position.

d. A termination charge as set forth in a. preceding shall also apply (C)
to that portion of the Centrex System affected in the following situations:

- Relocation of attendant positions.
- Relocation or disconnection of dial switching equipment located on customer's premises. (C)

The customer may elect to pay costs of a move on the same premises as provided in e. following. Service at the new location, if termination charge treatment is applied, will be treated as a new connection requiring new minimum revenue guarantee periods.

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Issued: May 9, 1967 Effective: For new services on June 1, 1967, and for existing services on the billing dates in June, 1967.

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E667
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 6
Cancelling Original Sheet 6

## CENTREX SERVICE

## E. MINIMUM REVENUE GUARANTEES AND TERMINATION OF SERVICE (Cont'd)

### 1. Minimum Revenue Guarantees (Cont'd)

b. Stations (Cont'd)

(3) When subsequent growth occurs, a new minimum main station revenue guarantee, which includes all main stations in service, or subject to a minimum revenue guarantee at that time, which ever is greater, will be established when the cumulative growth exceeds 20 main stations beyond the next higher hundreds level. The customer shall be allowed a credit against the new main station revenue guarantee for all main stations on which the 3-year revenue guarantee has expired, except that such credit shall not be applicable until all existing revenue guarantees have expired.

c. The minimum revenue guarantee period for each attendant position will be three years at the same location from the date of connection.

### 2. Termination of Service

a. When a Centrex System is disconnected in its entirety prior to the expiration of the minimum revenue guarantee periods for any or all parts of such system, a termination charge equal to one-half the charges applicable to the remainder of such periods will apply.

b. When a Centrex System equipped for TOUCH-TONE Service is either disconnected in its entirety, or TOUCH-TONE Service is discontinued, prior to the expiration of the minimum contract period of one year, the customer is charged the monthly rate times the number of months in the remaining yearly period for that portion of the service subject to the minimum contract period. Any other applicable charges for termination of the Centrex System are in addition to this charge. (N)

c. When a portion of the unrestricted or partially restricted main stations is disconnected prior to the expiration of the minimum revenue guarantee periods and such disconnection reduces the number of such stations below those contracted for by the customer, the customer will continue to be charged for the number of such stations under contract for the duration of the minimum revenue guarantee periods.

Material omitted from this sheet now appears on First Revision of Sheet 7.

Issued: September 2, 1965 Effective: September 12, 1965

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E668
Exhibit 41D
P. U. C. - D. C. - No. 31

## CENTREX SERVICE

### E. MINIMUM REVENUE GUARANTEES AND TERMINATION OF SERVICE (Cont'd)

1. Minimum Revenue Guarantees (Cont'd)

   b. Stations (Cont'd)

      (3) When subsequent growth occurs, a new minimum main station revenue guarantee, which includes all main stations in service, or subject to a minimum revenue guarantee at that time, whichever is greater, will be established when the cumulative growth exceeds 20 main stations beyond the next higher hundreds level. The customer shall be allowed a credit against the new main station revenue guarantee for all main stations on which the 3-year revenue guarantee has expired, except that such credit shall not be applicable until all existing revenue guarantees have expired.

   c. The minimum revenue guarantee period for each attendant position will be three years at the same location from the date of connection.

2. Termination of Service

   a. When a Centrex System is disconnected in its entirety prior to the expiration of the minimum revenue guarantee periods for any or all parts of such system, a termination charge equal to one-half the charges applicable to the remainder of such periods will apply.

   b. When a portion of the unrestricted or partially restricted main stations is disconnected prior to the expiration of the minimum revenue guarantee periods and such disconnection reduces the number of such stations below those contracted for by the customer, the customer will continue to be charged for the number of such stations under contract for the duration of the minimum revenue guarantee periods.

   c. Termination charges are not applicable to attendant positions installed with the establishment of Centrex Service which are disconnected within 90 days. When a Centrex attendant position which has been in service more than 90 days, or which was installed subsequent to initial establishment of Centrex Service is disconnected prior to the expiration of its minimum revenue guarantee period, and the Centrex System is not disconnected in its entirety, a termination charge equal to the full charge for the unexpired portion of the contract period will apply to the disconnected position.

E669
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Second Revision of Sheet 7
Cancelling First Revision of Sheet 7

## CENTREX SERVICE

### B. REGULATIONS (Cont'd)

14. Termination of Service (Cont'd)

e. The customer will be given the option of paying all costs of a move on the same premises in lieu of paying the termination charges specified in d., preceding. When the customer pays such cost of moving, minimum revenue guarantee periods will not be affected.

15. Centrex telephone service subscribed to by hospitals may be provided for patients' use. All charges for the service including charges for any messages shall be billed to the hospital who shall be responsible for any prorating and billing of the charges to the patients. Charges made to patients for telephone messages shall not be more than the charges for such messages placed over public telephone stations. (N)

### C. RATES

| | Per Month |
|---|---|
| 1. Attendant Positions | |
| Push button console or cord switchboard arranged for full Centrex operation, per position.................................... | $125.00 |

2. Stations

a. Rate Schedule A - Applicable to all Centrex Systems of a customer when each of the Centrex Systems has less than 10,000 main Centrex stations. (C)

(1) Centrex I Service

(a) Main Stations

| | Each Station Per Month | | | | | |
|---|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | (N) |
| Primary Location Switching Equipment located on: | | | | | | |
| Customer's Premises.... | $7.00 | $6.50 | $5.75 | $4.50 | $2.30 | (N) |
| Telephone Company Premises.............. | 7.50 | 7.00 | 6.25 | 5.00 | 2.80 | (N) (C) |

PROTECTED

Issued: May 9, 1967 Effective: For new services on June 1, 1967, and for existing services on the billing dates in June, 1967.

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

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Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 7
Cancelling Original Sheet 7

## CENTREX SERVICE

### E. MINIMUM REVENUE GUARANTEES AND TERMINATION OF SERVICE (Cont'd)

2. Termination of Service (Cont'd)

d. Termination charges are not applicable to attendant positions installed with the establishment of Centrex Service which are disconnected within 90 days. When a Centrex attendant position which has been in service more than 90 days, or which was installed subsequent to initial establishment of Centrex Service is disconnected prior to the expiration of its minimum revenue guarantee period, and the Centrex System is not disconnected in its entirety, a termination charge equal to the full charge for the unexpired portion of the contract period will apply to the disconnected position. (x)–(x)

e. When the customer elects to change the location of the attendant positions and/or any associated dial switching equipment at his primary location, the Centrex System shall be considered to be disconnected in its entirety and termination
charges as set forth in a. and b., preceding, will apply, (T)
except as provided in g., following. Service at the new loca- (T)
tion, if termination charge treatment is applied, will be
treated as a new connection with new contract periods apply- (T)
ing.

f. Disconnection or Move of a Satellite

(1) No termination charge, except as otherwise specified for TOUCH-TONE Service, applies for the disconnection or move of a satellite which has been in service at the same location for three years or longer. (T)–(T)

(2) In all other cases, a termination charge applies for the disconnection or move of a satellite, except as provided
in g., following. The basic termination charge shall be (T)
equal to one-half the monthly charges for three years for the number of unrestricted and partially restricted main stations connected to the satellite at the time of installation at its existing location and will be reduced by 1/36 for each month the satellite has remained at that location.

In addition, any applicable charges for terminating (N)
TOUCH-TONE Service apply. (N)

g. The customer will be given the option of paying all costs of a move on the same premises in lieu of paying the termination
charges specified in e. and f., preceding. When the customer (T)
pays such cost of moving, contract periods will not be affected. (T)

(x) Material transferred from Original Sheet 6.

Issued: September 2, 1965 Effective: September 12, 1965

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

## CENTREX SERVICE

E. MINIMUM REVENUE GUARANTEES AND TERMINATION OF SERVICE (Cont'd)

2. Termination of Service (Cont'd)

d. When the customer elects to change the location of the attendant positions and/or any associated dial switching equipment at his primary location, the Centrex System shall be considered to be disconnected in its entirety and termination charges as set forth in a., preceding, will apply, except as provided in f., following. Service at the new location, if termination charge treatment is applied, will be treated as a new connection with new minimum revenue guarantee contracts.

e. Disconnection or Move of a Satellite

(1) No termination charge applies for the disconnection or move of a satellite which has been in service at the same location for three years or longer.

(2) In all other cases, a termination charge applies for the disconnection or move of a satellite, except as provided in f., following. The basic termination charge shall be equal to one-half the monthly charges for three years for the number of unrestricted and partially restricted main stations connected to the satellite at the time of installation at its existing location and will be reduced by 1/36 for each month the satellite has remained at that location.

f. The customer will be given the option of paying all costs of a move on the same premises in lieu of paying the termination charges specified in d. and e., preceding. When the customer pays such cost of moving, minimum revenue guarantee periods will not be affected.

CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd) (C)

a. Rate Schedule A (Cont'd)

(1) Centrex I Service (Cont'd)

(a) Main Stations (Cont'd) (C)

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations. (N)

| | Each Station Per Month | | | | | |
|---|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Secondary Locations...... | $8.00 | $7.50 | $6.75 | $5.50 | $3.30 | (N) |

| | Per Month | |
|---|---|---|
| (b) Fully Restricted Stations, each......... | $3.25 | |
| (c) Bridged Stations on the same Centrex Line with: | | |
| Main Stations, each.................... | 1.85 | (R) |
| Fully Restricted Stations, each........ | 1.85 | (R) |

(2) Centrex II Service (N)

(a) Main Stations

| | Each Station Per Month | | | | | |
|---|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Primary Location | | | | | | |
| Switching Equipment located on: | | | | | | |
| Customer's Premises.... | $7.75 | $7.25 | $6.50 | $5.25 | $3.05 | |
| Telephone Company Premises............... | 8.25 | 7.75 | 7.00 | 5.75 | 3.55 | (N) |

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Exhibit 41D
P. S. C. - D. C. - No. 31

CENTREX SERVICE

C. RATES (Cont'd) (N)

2. Stations (Cont'd)

a. Rate Schedule A (Cont'd)

(2) Centrex II Service (Cont'd)

(a) Main Stations (Cont'd)

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station Per Month | | | | |
|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 |
| Secondary Locations | $8.75 | $8.25 | $7.50 | $6.25 | $4.05 |

| | Per Month |
|---|---|
| (b) Fully Restricted Stations, each.......... | $3.25 |
| (c) Bridged Stations on the same Centrex Line with: | |
| Main Stations, each..................... | 2.10 |
| Fully Restricted Stations, each......... | 1.85 |

b. Rate Schedule B

Rate Schedule B applies for all Centrex Systems of a customer when at least one of the Centrex Systems has 10,000 or more Centrex Main Stations. Rate Schedule B includes the facilities necessary for intercommunications with:

- Centrex Main Stations of other Washington Metropolitan Exchange Area Centrex Systems of the same customer,
- Centrex Main Stations of Washington Metropolitan Exchange Area Centrex Systems of one other customer having at least one Centrex System of 10,000 or more main Centrex stations provided from the Washington Zone of the Washington Metropolitan Exchange Area,
- Stations of private branch exchange systems which are connected through a common dial tie line switching system established to interconnect 10,000 or more stations in the Washington Metropolitan Exchange Area. (N)

Exhibit 41D

P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 10

CENTREX SERVICE

(N)

C. RATES (Cont'd)

2. Stations (Cont'd)

b. Rate Schedule B (Cont'd)

(1) Centrex I Service

(a) Main Stations

| | Each Station Per Month | | | | |
|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 |
| **Primary Location** | | | | | |
| Switching Equipment located on: | | | | | |
| Customer's Premises..... | $7.20 | $6.70 | $5.95 | $4.70 | $2.50 |
| Telephone Company Premises............... | 7.70 | 7.20 | 6.45 | 5.20 | 3.00 |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station Per Month | | | | |
|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 |
| Secondary Locations..... | $8.20 | $7.70 | $6.95 | $5.70 | $3.50 |

| | Per Month |
|---|---|
| (b) Fully Restricted Stations, each......... | $3.25 |
| (c) Bridged Stations on the same Centrex Line with: | |
| Main Stations, each.................... | 1.95 |
| Fully Restricted Stations, each........ | 1.85 |

(N)

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By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E675
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 11

CENTREX SERVICE

(N)

C. RATES (Cont'd)

2. Stations (Cont'd)

b. Rate Schedule B (Cont'd)

(2) Centrex II Service (applicable to Centrex Systems of le
than 10,000 Main Stations)

(a) Main Stations

| | Each Station Per Month | | | | |
|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 |
| Primary Location | | | | | |
| Switching Equipment located on: | | | | | |
| Customer's Premises... | $7.95 | $7.45 | $6.70 | $5.45 | $3.25 |
| Telephone Company Premises.............. | 8.45 | 7.95 | 7.20 | 5.95 | 3.75 |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station Per Month | | | | |
|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 |
| Secondary Locations..... | $8.95 | $8.45 | $7.70 | $6.45 | $4.25 |

| | Per Month |
|---|---|
| (b) Fully Restricted Stations, each........... | $3.25 |
| (c) Bridged Stations on the same Centrex Line with: | |
| Main Stations, each....................... | 2.20 |
| Fully Restricted Stations, each.......... | 1.85 |

(N)

Issued: May 9, 1967 Effective: For new services on June 1, 1967, and for existing services on the billing dates in June, 1967.

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E676
Exhibit 41D
P. S. C. - D. C. - No. 31

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 12
Cancelling Original Sheet 12

## CENTREX SERVICE

C. RATES (Cont'd)

3. TOUCH-TONE* Service

a. TOUCH-TONE Service is provided under the conditions specified in P.S.C.-D.C.-No. 202. (T)

The following rates for TOUCH-TONE Service are in addition to the rates and charges for attendant positions and Centrex stations or station lines of the associated Centrex System.

When a telephone equipped for TOUCH-TONE Service has an appearance of a TOUCH-TONE Service individual line, auxiliary line or intercommunicating line in addition to the appearance of a Centrex station line, the rate for a Centrex Station equipped for TOUCH-TONE Service applies in addition to the appropriate rates for such other TOUCH-TONE Services.

| | Nonrecurring Charge | Per Month |
|---|---|---|
| b. Attendant positions and first 25 Centrex Stations | $50.00# Per Position | $50.00ϕ |
| Additional Centrex Stations, each | None | 1.25 |

# Applies for the initial establishment of TOUCH-TONE Services.

ϕ A minimum contract period of one year applies.

4. Service Charges . . . . . . . . . . . . . . . . As specified in P.S.C.-D.C.-No. 17

5. Message Units (T)(x)

Centrex Rate Schedules include no message unit allowance. The charges for message units are as follows:

First 200 are 5¢ each.
All others are 3½¢ each. (T)(x)

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* Registered Service Mark of A.T.&T. Co.

(x) Material transferred from P.S.C.-D.C.-No. 1, Thirty-second Revision of Sheet 3.

Issued: July 20, 1970 Effective: July 30, 1970

By W. L. Dutten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E677
Exhibit 41D

CENTREX SERVICE

C. RATES (Cont'd)

3. TOUCH-TONE Service

a. TOUCH-TONE Service is provided under the conditions specified in P.S.C. - D.C. - No. 15.

The following rates for TOUCH-TONE Service are in addition to the rates and charges for attendant positions and Centrex stations or station lines of the associated Centrex System.

When a telephone equipped for TOUCH-TONE Service has an appearance of a TOUCH-TONE Service individual line, auxiliary line or intercommunicating line in addition to the appearance of a Centrex station line, the rate for a Centrex Station equipped for TOUCH-TONE Service applies in addition to the appropriate rates for such other TOUCH-TONE Services.

| | Nonrecurring Charge | Per Month |
|---|---|---|
| b. Attendant positions and first 25 Centrex Stations.............. | $50.00#<br>Per Position | $50.00* |
| Additional Centrex Stations, each | None | 1.25 |

* A minimum contract period of one year applies.

# Applies for the initial establishment of TOUCH-TONE Services.

4. Service Charges...................... As specified in P.S.C. - D.C. - No. 17 (T) (x)

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(x) Service Charges previously appearing in this tariff now appear in P.S.C. - D.C. No. 17.

Issued: May 9, 1967 Effective: For new services on June 1, 1967, and for existing services on the billing dates in June, 1967.

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E678
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Third Revision of Sheet 1
Cancelling Second Revision of Sheet 1
Second Revision of Sheet 2
Second Revision of Sheet 3
First Revision of Sheet 4
Original Sheet 5
Original Sheet 6
Original Sheet 7
Original Sheet 8
Original Sheet 9

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

The regulations and rates pertaining to Centrex I and II Dormitory Service - Schools, Colleges or Universities are now contained in P.S.C.-D.C.-No. 203.

PROTESTED

Issued: May 28, 1971 Effective: June 7, 1971

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E679
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Second Revision of Sheet 1
Cancelling First Revision of Sheet 1

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

### A. GENERAL

Centrex I and II Service is furnished to schools, colleges and universities (N)
for management use in the administration of the school and for residential
use by students, faculty members or employees who reside in dormitories or
other residential quarters owned or leased, or under control of the school. (C)

### B. REGULATIONS

1. Management stations are furnished at regular Centrex rates, charges and (C)
regulations as specified in P.S.C.-D.C.-No. 31.

2. Stations for residential use, termed dormitory stations, are furnished on a flat rate basis at rates and charges set forth in C. following.

3. Dormitory stations may be listed in the telephone directory at the established rate for additional residence directory listings.

4. Dormitory service is furnished to a school, college or university only in
association with a Centrex System and upon the condition that use of the (C)
service shall not be made subject to any charge by the school, college or
university in excess of the charges set forth in the tariffs of the Telephone Company.

5. Centrex II Service will only be provided where all main and dormitory (N)
stations of the customer's Centrex System are so equipped. (N)

6. Schools, colleges and universities may subscribe to Centrex Dormitory (C)
Service under either Option A or Option B as follows:

    a. Option A

    The school, college or university is responsible for payment of all charges. The school, college or university is also responsible for billing and collecting charges for telephone messages, telegrams, cablegrams and radiograms sent paid from or received collect at dormitory stations.

Material omitted from this sheet now appears on Sheet 3.

Issued: March 16, 1970 Effective: March 26, 1970

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E680
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 1
Cancelling Original Sheet 1

## CENTREX I DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

### A. GENERAL

Centrex I Service is furnished to schools, colleges and universities for management use in the administration of the school and for residential use by students or employees who reside in dormitories or other residential quarters owned or leased, and under control of the school.

### B. REGULATIONS

1. Management stations are furnished at regular Centrex I rates, charges and regulations as specified in P.S.C. - D.C. - No. 31.

2. Stations for residential use, termed dormitory stations, are furnished on a flat rate basis at rates and charges set forth in C. following, only where the Continuing Minimum Monthly Charge of 100 main stations is being charged for management stations on at least one premises of the customer.

3. Dormitory stations may be listed in the telephone directory at the established rate for additional residence directory listings.

4. Dormitory service is furnished to a school, college or university only in association with a Centrex I System and upon the condition that use of the service shall not be made subject to any charge by the school, college or university in excess of the charges set forth in the tariffs of the Telephone Company.

   Schools, colleges and universities may subscribe to Centrex I Dormitory Service under either Option A or Option B as follows: (N)

   a. Option A (N)

      The school, college or university is responsible for payment of all charges. The school, college or university is also responsible for billing and collecting charges for telephone messages, telegrams, cablegrams and radiograms sent paid from or received collect at dormitory stations.

PROTECTED

Material omitted from this sheet now appears on First Revison of Sheet 2.

Issued: August 11, 1967 Effective: August 21, 1967

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E681
Exhibit 41D
P. S. C. - D. C. - No. 31-A

## CENTREX I DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

### A. GENERAL

Centrex I Service is furnished to schools, colleges and universities for management use in the administration of the school and for residential use by students or employees who reside in dormitories or other residential quarters owned or leased, and under control of the school.

### B. REGULATIONS

1. Management stations are furnished at regular Centrex I rates, charges and regulations as specified in P.S.C. - D.C. - No. 31.

2. Stations for residential use, termed dormitory stations, are furnished on a flat rate basis at rates and charges set forth in C. following, only where the Continuing Minimum Monthly Charge of 100 main stations is being charged for management stations on at least one premises of the customer.

3. Dormitory stations may be listed in the telephone directory at the established rate for additional residence directory listings.

4. Dormitory service is furnished to a school, college or university only in association with a Centrex I System and upon the condition that use of the service shall not be made subject to any charge by the school, college or university in excess of the charges set forth in the tariffs of the Telephone Company.

   The school, college or university is responsible for payment of all charges. The school, college or university is responsible also for billing and collecting charges for telephone messages, telegrams, cablegrams and radiograms sent paid from or received collect at dormitory stations.

5. Bridged dormitory stations will be provided only within the same dormitory room or residential quarters as the associated dormitory main station.

6. For dormitory stations connected to the Centrex I System that are located outside the wire center area for the primary location, extension line mileage charges as specified in P.S.C. - D.C. - No. 11 apply between the primary location and the location of the station. (N)

PROTESTED

E682
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Second Revision of Sheet 2
Cancelling First Revision of Sheet 2

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

B. REGULATIONS (Cont'd)

6. (Cont'd) (T)

b. Option B

The Telephone Company is responsible for the billing and collecting of long distance charges, telegrams, cablegrams and radiograms sent paid from or received collect at dormitory stations. The school, college or university is responsible for the payment of all other rates and charges applicable to the dormitory stations. (T)

The school, college or university shall agree to either:

(1) Assume responsibility for the payment of long distance charges billed to dormitory stations deemed by the Telephone Company to be uncollectible or (T)

(2) Render assistance to the Telephone Company in the prompt collection of such charges, in which event no responsibility for the uncollectible portion will be incurred by the school, college or university.

The Telephone Company reserves the right to change a dormitory station to a fully restricted station at the rate specified in P.S.C.-D.C.-No. 31, in the event of nonpayment of charges billed to the dormitory station.

7. Dormitory station extension service will be provided only within the same dormitory room or residential quarters as the associated dormitory main station. (T)

8. For dormitory stations that are located outside the wire center area for the primary location, extension line mileage charges as specified in P.S.C.-D.C.-No. 11 apply between the primary location and the location of the station. (T)

9. Dormitory stations may be suspended at the rates and under the conditions set forth in P.S.C.-D.C.-No. 23 for suspension of residence service, except that the suspension rate is not applicable for periods of less than one month. (T)(x)
(x)

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(x) Material transferred from First Revision of Sheet 3.

Issued: March 16, 1970
Effective: March 26, 1970

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E683
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 2
Cancelling Original Sheet 2

## CENTREX I DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

B. REGULATIONS (Cont'd)

4. (Cont'd)

b. Option B (N)

The Telephone Company is responsible for the billing and collecting of toll charges, telegrams, cablegrams and radiograms sent paid from or received collect at dormitory stations. The school, college or university is responsible for the payment of all other rates and charges applicable to the dormitory stations.

The school, college or university shall agree to either 1) assume responsibility for the payment of toll charges billed to dormitory stations deemed by the Telephone Company to be uncollectible or 2) render assistance to the Telephone Company in the prompt collection of such charges, in which event no responsibility for the uncollectible portion will be incurred by the school, college or university.

The Telephone Company reserves the right to change a dormitory station to a fully restricted station at the rate specified in P.S.C. - D.C. - No. 31, in the event of nonpayment of charges billed to the dormitory station. (N)

5. Bridged dormitory stations will be provided only within the same dormitory room or residential quarters as the associated dormitory main station. (X)

6. For dormitory stations connected to the Centrex I System that are located outside the wire center area for the primary location, extension line mileage charges as specified in P.S.C. - D.C. - No. 11 apply between the primary location and the location of the station. (X)

(X) Material transferred from Original Sheet 1.

Material omitted from this sheet now appears on First Revision of Sheet 3 and Original Sheet 4.

Issued: August 11, 1967

Effective: August 21, 1967

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E684
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 2

## CENTREX I DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

B. REGULATIONS (Cont'd)

7. Dormitory stations may be suspended at the rates and under the conditions set forth in P.S.C. - D.C. - No. 23 for suspension of residence service, except that the suspension rate is not applicable for periods of less than one month.

8. Supplemental equipment and other services furnished in connection with Centrex I Dormitory Service will be provided as specified in the Telephone Company's applicable tariffs.

9. TOUCH-TONE Service is provided to dormitory stations only when the associated Centrex I Service has TOUCH-TONE Service. Rates and regulations as specified for additional stations equipped for TOUCH-TONE Service in P.S.C. - D.C. - No. 31 will apply.

10. Centrex I Dormitory Service at schools is furnished at the same Basic Minimum Revenue Guarantee as regular Centrex I Service except as provided in 11. following.

11. A school with Centrex I Dormitory Service may designate one 3-month period in any one 12-month period during which the minimum revenue guarantee will be that applicable to management stations but at no time less than that for 100 Main Stations. The minimum revenue guarantee applicable just prior to the designated period will apply following the 3-month period, regardless of the number of Centrex stations in service at the time, and will also apply should the Centrex I System be disconnected during such 3-month period.

C. RATES

1. The following rates apply for Centrex I dormitory main stations:

| Switching Equipment Located on: | Each Main Station Per Month |
|---|---|
| Customer Premises | $5.45 |
| Telephone Company Premises | 5.70 (N) |

PROTECTED

Issued: May 9, 1967 Effective: May 19, 1967

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E685
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

Second Revision of Sheet 3
Cancelling First Revision of Sheet 3

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

### B. REGULATIONS (Cont'd)

10. Supplemental equipment and other services furnished in connection with (T)
Centrex Dormitory Service will be provided as specified in the Telephone (C)
Company's applicable tariffs.

11. TOUCH-TONE* Service is provided to dormitory stations only when the as- (T)
sociated Centrex Service has TOUCH-TONE Service. Regulations and rates (C)
as specified for additional stations equipped for TOUCH-TONE Service in
P.S.C.-D.C.-No. 31 will apply.

12. Minimum Revenue Guarantees (N)

    a. Minimum Revenue Guarantees apply only to Centrex main stations, Centrex dormitory main stations and attendant positions.

    Fully restricted, bridged, and dormitory extension stations are not included in any Minimum Revenue Guarantees.

    b. Centrex and Dormitory Main Stations (N)

        (1) On at least one premises of the customer, main stations are (T)(x)
        subject to a Continuing Minimum Monthly Charge which shall be
        the charge for 100 main stations at the appropriate Centrex I -
        primary location schedule. (T)(x)

        (2) All main stations of a Centrex System shall be subject to a (N)
        Minimum Revenue Guarantee for a period of three years. The Minimum Revenue Guarantees for Centrex and dormitory main stations will be computed separately and totaled for the customer's Minimum Revenue Guarantee as follows:

            (a) When the number of Centrex main stations and dormitory main stations are below one-hundred at the time service is initially established, the Minimum Revenue Guarantee is determined as follows:

            Apply the Centrex I primary location schedule to the actual number of Centrex main stations and the appropriate dormitory main station schedule to the actual number of
            dormitory main stations. (N)

[illegible]

* Registered Service Mark of A.T.&T. Co.
Material omitted from this sheet now appears on Sheet 2.
(x) Material transferred from First Revision of Sheet 1.

Issued: March 16, 1970
Effective: March 26, 1970

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E686
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. First Revision of Sheet 3
Cancelling Original Sheet 3

## CENTREX I DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

B. REGULATIONS (Cont'd) (X)

7. Dormitory stations may be suspended at the rates and under the conditions set forth in P.S.C. - D.C. - No. 23 for suspension of residence service, except that the suspension rate is not applicable for periods of less than one month.

8. Supplemental equipment and other services furnished in connection with Centrex I Dormitory Service will be provided as specified in the Telephone Company's applicable tariffs.

9. TOUCH-TONE Service is provided to dormitory stations only when the associated Centrex I Service has TOUCH-TONE Service. Rates and regulations as specified for additional stations equipped for TOUCH-TONE Service in P.S.C. - D.C. - No. 31 will apply.

10. Centrex I Dormitory Service at schools is furnished at the same Basic Minimum Revenue Guarantee as regular Centrex I Service except as provided in 11. following.

11. A school with Centrex I Dormitory Service may designate one 3-month period in any one 12-month period during which the minimum revenue guarantee will be that applicable to management stations but at no time less than that for 100 Main Stations. The minimum revenue guarantee applicable just prior to the designated period will apply following the 3-month period, regardless of the number of Centrex stations in service at the time, and will also apply should the Centrex I System be disconnected during such 3-month period. (X)

PROTECTED

(X) Material transferred from Original Sheet 2.

Material omitted from this sheet now appears on Original Sheet 4.

Issued: August 11, 1967 Effective: August 21, 1967

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E687
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. | Original Sheet 3

CENTREX I DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

C. RATES (Cont'd)

| | Per Month |
|---|---|
| 2. Bridged Dormitory Stations, each.......... | $.80 |
| 3. Service Charges.......................... | As specified in P.S.C. - D.C. - No. 17 for Centrex Service (N) |

PROTECTED

Issued: May 9, 1967 | Effective: May 19, 1967

By S. D. Harter, General Commercial Manager, 930 H Street, N. W., Washington, D. C.

E688
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO.

First Revision of Sheet 4
Cancelling Original Sheet 4

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

B. REGULATIONS (Cont'd)

12. Minimum Revenue Guarantees (Cont'd)

b. Centrex and Dormitory Main Stations (Cont'd)

(2) (Cont'd)

(b) When the number of Centrex main stations is below one-hundred and the number of dormitory main stations is one-hundred or more at the time service is initially established, the Minimum Revenue Guarantee is determined as follows:

Apply the Centrex I primary location schedule to the actual number of Centrex main stations and the appropriate dormitory main station schedule to the first one-hundred dormitory main stations and that same schedule to 90 per cent of the immediate lower hundreds level below the number of dormitory main stations in excess of the first one-hundred dormitory main stations initially connected.

(c) When the number of Centrex main stations is one-hundred or more when service is initially established, the Minimum Revenue Guarantee is determined as follows:

(I) Apply the Centrex I primary location schedule to the first one-hundred Centrex main stations and that same schedule to 90 per cent of the immediate lower hundreds level below the number of Centrex main stations initially connected and

(II) Apply the appropriate dormitory main station schedule as specified in (a) or (b) preceding.

(d) The guarantee as determined in (a), (b) or (c) preceding shall not be less than the Continuing Minimum Monthly Charge. (N)

Material omitted from this sheet now appears on Sheets 7 and 9.

Issued: March 16, 1970 Effective: March 26, 1970

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E689
Exhibit 41D

## CENTREX I DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

C. RATES (X)

1. The following rates apply for Centrex I dormitory main stations:

| | Each Main Station Per Month | |
|---|---|---|
| a. Option A | | (T) |
| Switching Equipment Located on: | | |
| Customer Premises.................. | $0.50 less than residence individual line flat rate service as specified in P.S.C. - D.C. - No. 1 | |
| Telephone Company Premises......... | $0.25 less than residence individual line flat rate service as specified in P.S.C. - D.C. - No. 1 | (T) (X) |
| b. Option B | | (N) |
| Switching Equipment Located on: | | |
| Customer Premises.................. | $0.25 less than residence individual line flat rate service as specified in P.S.C. - D.C. - No. 1 | |
| Telephone Company Premises......... | The same as residence individual line flat rate service as specified in P.S.C. - D.C. - No. 1 | (N) |

| | Per Month | (Y) |
|---|---|---|
| 2. Bridged Dormitory Stations, each........... | $.80 | |
| 3. Service Charges........................... | As specified in P.S.C. - D.C. - No. 17 for Centrex Service | (Y) |

(X) Material transferred from Original Sheet 2.

(Y) Material transferred from Original Sheet 3.

E690
Exhibit 41D
P. S. C. - D. C. - No. 31-A

CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

B. REGULATIONS (Cont'd)

12. Minimum Revenue Guarantees (Cont'd)

b. Centrex and Dormitory Main Stations (Cont'd)

(2) (Cont'd)

(e) Additional Minimum Revenue Guarantee

(I) When subsequent growth occurs to a Centrex System where the number of Centrex or dormitory main stations was below one-hundred when service was initially established, an Additional Minimum Revenue Guarantee will be established when the total main stations in service equals one-hundred or more Centrex or dormitory main stations. The Additional Minimum Revenue Guarantee will apply for a period of three years and will be based on the actual growth of Centrex or dormitory main stations up to the one-hundred level and 90 per cent of the additional hundreds level(s) in excess of the first one-hundred Centrex or dormitory main stations.

(II) When subsequent growth occurs to a Centrex System with one-hundred or more Centrex or dormitory main stations, an Additional Minimum Revenue Guarantee will be established when the total main stations in service exceeds 20 stations beyond the next higher hundreds level above that previously established. The Additional Minimum Revenue Guarantee will apply for a period of three years and will be based on 90 per cent of the additional hundreds level(s) above that previously established.

(f) Centrex II rates will apply to all main stations for a minimum of one year following the establishment of such service. (N)

PROJECTED

E691
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 6

CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

B. REGULATIONS (Cont'd)

12. Minimum Revenue Guarantees (Cont'd)

b. Centrex and Dormitory Main Stations (Cont'd)

(2) (Cont'd) (N)

(g) A school with Centrex Dormitory Service may designate one (C)(x)
3-month period in any one 12-month period during which the
Minimum Revenue Guarantee will be that applicable to management
stations but at no time less than that for 100
main stations. The 3-month period need not be continuous (N)
but the minimum period will be one month. The Minimum (N)
Revenue Guarantee applicable just prior to the designated
period will apply following the period, regardless of the
number of Centrex stations in service at the time, and
will also apply should the Centrex System be disconnected (C)
during such period. (x)

c. The Minimum Revenue Guarantee for each attendant position shall be (N)
equal to the monthly charges for three years at the same location
beginning with the date of connection. (N)

PROTECTED

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(x) Material with minor text changes transferred from First Revision of Sheet 3.

E692
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 7

CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

C. RATES

1. The following rates apply for Centrex I dormitory main stations as related to the individual line flat rate service rate in the same exchange in which the associated Centrex System is located: (x)

| | Each Main Station Per Month | USOC |
|---|---|---|
| a. Option A | | |
| Switching Equipment Located on: | | |
| (1) Customer Premises . . . . . . . | $.50 less than residence individual line flat rate service. | (U) |
| (2) Telephone Company Premises . . | $.25 less than residence individual line flat rate service. | (U) |
| b. Option B | | |
| Switching Equipment Located on: | | |
| (1) Customer Premises . . . . . . . | $.25 less than residence individual line flat rate service. | (U) |
| (2) Telephone Company Premises . . | The same rate as for residence individual line flat rate service. | (U) |

(x)

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(x) Material with minor text changes transferred from Original Sheet 4.

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By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E693
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 8

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

### C. RATES (Cont'd)

2. The following rates apply for Centrex II dormitory main stations as related to the individual line flat rate service rate in the same exchange in which the associated Centrex System is located:

| | Each Main Station Per Month | USOC |
|---|---|---|
| **a. Option A** | | |
| Switching Equipment Located on: | | |
| (1) Customer Premises . . . . . . . | $.25 more than residence individual line flat rate service. | (U) |
| (2) Telephone Company Premises . . | $.50 more than residence individual line flat rate service. | (U) |
| **b. Option B** | | |
| Switching Equipment Located on: | | |
| (1) Customer Premises . . . . . . . | $.50 more than residence individual line flat rate service. | (U) |
| (2) Telephone Company Premises . . | $.75 more than residence individual line flat rate service. | (U) |

(N)

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By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E694
Exhibit 41D
P. S. C. - D. C. - No. 31-A

THE CHESAPEAKE AND POTOMAC TELEPHONE CO. Original Sheet 9

CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES (N)

C. RATES (Cont'd)

3. The following rates and charges apply for Centrex Dormitory Extension Service: (x)

| | Each Extension Station Per Month | USOC | |
|---|---|---|---|
| a. Associated with Centrex I dormitory main stations . . . . . . . . | The same rate as for residence flat rate extension service. | (U) | (x) |
| b. Associated with Centrex II dormitory main stations . . . . . . . . | $.25 more than the residence flat rate extension service. | (U) | (N)<br>(N) |

4. Connection, Move and Change Charges (x)

Connection, move and change charges for Centrex Dormitory Service will be the same as those for regular Centrex Service as specified in P.S.C.-D.C.-No. 17. (x)

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(x) Material with minor text changes transferred from Original Sheet 4.

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By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E695
Exhibit 41D

# CENTREX SERVICE

## A. GENERAL

Centrex I and Centrex II Services include the facilities necessary for intercommunication between stations within a customer's system, in and out exchange lines, direct in-dialing to stations, attendant transfer of incoming calls from one station line to another, identification and billing of outgoing long distance messages by station number, night connection arrangements, interception of calls to unassigned numbers, and attendant positions for assistance requirements. Centrex II Service also includes the facilities necessary for trunk answer from any station, and on calls incoming from the exchange, call transfer-individual, consultation hold, and add-on.

## B. REGULATIONS

### 1. Explanation of Terms

a. Centrex System

Centrex stations with the same primary directory listing constitute (C)
a Centrex System. (C)

b. Centrex Line

A Centrex line is a line connecting a station or stations to Centrex dial switching equipment.

c. Centrex Stations

(1) Main Station

A main station is the first station, the first appearance in a station, or the first appearance in other than a station, of a Centrex line, except as specified for a fully restricted station.

(2) Fully Restricted Station

A fully restricted station is the first station, the first appearance in a station, or the first appearance in other than a station, of a Centrex line which is equipped only to make calls to and receive calls from other stations connected to the same customer's Centrex System.

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(3) Bridged Station

A bridged station is an additional station on the same Centrex (C)
line as the associated main or fully restricted station. (C)

E696
Exhibit 41D

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

1. Explanation of Terms (Cont'd)

   d. Primary Location

   Each Centrex System has one primary location which is a premises designated by the customer.

   e. Secondary Location

   A secondary location is a premises of the customer other than that of the primary location where stations are served by the same Centrex System.

2. Centrex Service is classified as business service and is furnished subject to the availability of facilities, by means of standard telephone instruments and, at the option of the Telephone Company, dial switching equipment located either on the customer's premises or on the premises of the Telephone Company.

   Centrex is offered only as a complete service. The exchange access or (T)
   intercommunication portion of the Centrex main station charges are not |
   offered separately. (T)

3. Centrex II Service will only be provided where all Centrex main stations of the customer's Centrex System are so equipped.

4. Where the dial switching equipment is located on the customer's premises, and the dial switching equipment and attendant positions are not located in the same or immediately adjacent rooms on the same floor, or are separated by over 100 feet, or the attendant positions are not located at the primary location, special charges based on costs may apply.

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Exhibit 41D

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

1. Explanation of Terms (Cont'd)

d. Primary Location

Each Centrex System has one primary location which is a premises designated by the customer.

e. Secondary Location

A secondary location is a premises of the customer other than that of the primary location where stations are served by the same Centrex System.

2. Centrex Service is classified as business service and is furnished sub-
ject to the availability of facilities, by means of standard telephone
instruments and, at the option of the Telephone Company, dial switching (C)
equipment located either on the customer's premises or on the premises of |
the Telephone Company. (C)

3. Centrex II Service will only be provided where all Centrex main stations of the customer's Centrex System are so equipped.

4. Where the dial switching equipment is located on the customer's premises, and the dial switching equipment and attendant positions are not located in the same or immediately adjacent rooms on the same floor, or are separated by over 100 feet, or the attendant positions are not located at the primary location, special charges based on costs may apply.

E698
Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

## CENTREX SERVICE

3. REGULATIONS (Cont'd)

5. One operator's regular telephone set and one position dial will be furnished where required without additional charge for each console or switchboard position. One operator's chair will be furnished without charge in connection with each position of switchboard when, because of the height of the keyshelf, a standard height chair will not meet normal requirements.

6. Where quantities of switching equipment or central office lines in excess of those considered adequate by the Telephone Company are requested by the customer, such additional facilities will be furnished at rates and charges based on costs.

7. Conversions to Centrex from Present Three or More Digit Dial PBX Systems

   a. Attendant Positions

      (1) A present dial PBX customer with a three or more digit dial system may convert to Centrex Service and retain the present attendant positions, but will be unable to obtain full Centrex attendant operation with these positions.

      (2) Where a customer retains any or all of the switchboard positions in place, no termination obligation shall apply to such positions which have been at that location for three years or more.

      (3) Where a position which is retained has been at the same location for less than three years, and is not moved or changed, the PBX five year initial contract period shall not apply, but a new Centrex Minimum Revenue Guarantee, as provided in 8. following, shall apply for the remainder of the three-year period.

      (4) When any switchboard positions are retained but are moved to another location, all outstanding termination obligations shall apply, and the full Centrex Minimum Revenue Guarantee shall apply in all cases at the new location. In addition, a charge equal to the charge for the establishment of a Centrex station shall apply for each line terminated in the switchboard at the new location.

      (5) Where the customer elects to replace the existing attendant positions with Centrex positions at the same or other location, any outstanding termination obligations applicable to the existing positions shall apply.

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Exhibit 41D
P.S.C.-D.C.-No. 203

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

7. Conversions to Centrex from Present Three or More Digit Dial PBX Systems (Cont'd)

   b. Dial Switching Equipment

      (1) Where the present dial switching equipment is not moved, no outstanding termination obligations shall apply.

      (2) Where the present dial switching equipment on the customer's premises is moved or the Centrex Service is provided from dial switching equipment on Telephone Company premises, all outstanding termination obligations under existing contracts shall apply.

8. Minimum Revenue Guarantees

   a. Minimum Revenue Guarantees apply only to Centrex main stations, and attendant positions.

      Fully restricted and bridged stations are not included in any Minimum Revenue Guarantees.

   b. Centrex Main Stations

      (1) On at least one premises of the customer, main stations are subject to a Continuing Minimum Monthly Charge which shall be the charge for 100 main stations at the appropriate Centrex I - primary location schedule.

      (2) All main stations of a Centrex System shall be subject to a Basic Minimum Revenue Guarantee for a period of three years.

      (3) When service is initially established, the Basic Minimum Revenue Guarantee is determined by applying the Centrex I - primary location schedule to 90 per cent of the immediately lower hundreds level below the number of main stations initially connected. The guarantee so determined shall not be less than the Continuing Minimum Monthly Charge.

PROPOSED

E700
Exhibit 41D
P.S.C.-D.C.-No. 203

# CENTREX SERVICE

B. REGULATIONS (Cont'd)

8. Minimum Revenue Guarantees (Cont'd)

b. Centrex Main Stations (Cont'd)

(4) When subsequent growth occurs, an Additional Minimum Revenue Guarantee will be established when the cumulative growth exceeds 20 stations beyond the next higher hundreds level above that previously established. The Additional Minimum Revenue Guarantee will apply for a period of three years and will be based on 90 per cent of the additional hundreds level(s) above that previously established.

(5) Centrex II rates will apply to all main stations for a minimum of one year following the establishment of such service.

c. The Minimum Revenue Guarantee for each attendant position shall be equal to the monthly charges for three years at the same location beginning with the date of connection.

9. Termination of Service

a. When a Centrex System is disconnected in its entirety prior to the expiration of the Minimum Revenue Guarantee periods for any or all parts of such system, a termination charge equal to one-half the charges applicable to the remainder of such periods shall apply. When a Centrex II System is disconnected in its entirety prior to the end of the first year following the establishment of such service, an additional termination charge applies, which is equal to the differential between main station rates on Centrex I and Centrex II schedules times the number of Centrex II main stations initially established, for the balance of such period.

b. When a portion of the Centrex main stations is disconnected prior to the expiration of the Minimum Revenue Guarantee periods and such disconnection reduces the number of such stations below those contracted for by the customer, the customer will continue to be charged for the number of such stations under contract for the duration of the Minimum Revenue Guarantee periods. The last stations connected will be considered the first disconnected.

E701
Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

The Chesapeake & Potomac Telephone Company

Section 13
1st Revised Page 6
Cancels Original Page 6

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

9. Termination of Service (Cont'd)

c. Termination charges are not applicable to attendant positions installed with the establishment of Centrex Service which are disconnected within 120 days.

When a Centrex attendant position which has been in service more than 120 days, or which was installed subsequent to the initial establishment of Centrex Service, is disconnected prior to the expiration of its Minimum Revenue Guarantee period, and the Centrex System is not disconnected in its entirety, a termination charge equal to the full charge for the unexpired portion of the contract period shall apply to the disconnected position.

10. Changing of Equipment

a. Attendant Positions

(1) When the customer elects to change from push button console to cord switchboard operation or vice versa, to change an attendant position for capacity reasons, or to relocate an attendant position on the same premises, an installation charge as specified in this tariff shall apply. (C)

(2) When the customer elects to change the location of the attendant positions to a different premises, the attendant positions shall be considered to be disconnected and termination charges as set forth in 9.a. preceding shall apply.

Issued: July 13, 1972 Effective: August 3, 1972 pursuant to P.S.C.-D.C. Order No. 5523, dated August 2, 1972.

W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

CENTREX SERVICE

B. REGULATIONS (Cont'd)

9. Termination of Service (Cont'd)

c. Termination charges are not applicable to attendant positions installed with the establishment of Centrex Service which are disconnected within 120 days. (C)

When a Centrex attendant position which has been in service more than 120 days, or which was installed subsequent to the initial establishment of Centrex Service, (C) is disconnected prior to the expiration of its Minimum Revenue Guarantee period, and the Centrex System is not disconnected in its entirety, a termination charge equal to the full charge for the unexpired portion of the contract period shall apply to the disconnected position.

10. Changing of Equipment (C)

a. Attendant Positions

(1) When the customer elects to change the type or location of the attendant positions on the same premises, charges as specified for Special Equipment and Service Arrangements in this Company's applicable tariff shall apply. (C)

(2) When the customer elects to change the location of the attendant positions to a different premises, the attendant positions shall be considered to be disconnected and termination charges as set forth in 9.a. preceding shall apply.

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E703
Exhibit 41D

## CENTREX SERVICE

B. REGULATIONS (Cont'd)

10. Changing of Equipment (Cont'd)

b. Switching Equipment located on Customer Premises (C)

When the customer elects to change the location of the Centrex dial switching equipment located on his premises or, when in the judgment of the Telephone Company the location of the Centrex dial switching equipment located on the customer's premises must be changed as a result of the customer's requirements for Centrex Service, the Centrex System shall be considered to be disconnected in its entirety and termination charges as set forth in 9.a. preceding shall apply except as provided in e. following.

c. Switching Equipment located on Telephone Company Premises

When the customer elects to relocate to a different premises all primary location main stations served by Centrex dial switching equipment located on the Telephone Company's premises, the Centrex System shall be considered to be disconnected in its entirety and termination charges as set forth in 9.a. preceding shall apply, except where, at the option of the Telephone Company and subject to the availability of facilities, the customer's Centrex System continues to be served by the same Centrex dial switching equipment, the system will not be considered disconnected. (C)

d. Service at the new location, if termination charge treatment is applied, will be treated as a new connection requiring new Minimum Revenue Guarantee periods.

e. The customer will be given the option of paying all costs of a move on the same premises in lieu of paying the termination charges specified in b. preceding. When the customer pays such cost of moving, Minimum Revenue Guarantee periods will not be affected.

11. Centrex telephone service subscribed to by hospitals may be provided for patients' use. All charges for the service including charges for any messages shall be billed to the hospital who shall be responsible for any prorating and billing of the charges to the patients. Charges made to patients for telephone messages shall not be more than the charges for such messages placed over public telephone stations.

CANCELLED FEB 1 2 1975

E704
Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

## CENTREX SERVICE

### C. RATES

1. Attendant Position

| | Installation Charge | Per Month | (N)<br>USOC(N) |
|---|---|---|---|
| Push button console or cord switchboard arranged for full Centrex operation, per position . . . . . . . . . . . . . . . . . . . . . | $300. 0 | $150.00 | RXX<br>RXY(I) |

2. Stations

   a. Rate Schedule A - Applicable to all Centrex Systems of a customer when each of the Centrex Systems has less than 10,000 main Centrex stations.

      (1) Centrex I Service

         (a) Main Stations

| Primary Location | Each Station, Per Month<br>First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
|---|---|---|---|---|---|---|
| Switching Equipment located on: | | | | | | |
| | | | | | | RXR |
| Customer Premises | | | | | | RWR |
| Exchange Access . . | $ .55 | $ .50 | $ .45 | $ .45 | $ .40 | 98L(I) |
| Intercommunication . | 7.45 | 7.00 | 6.30 | 5.05 | 2.90 | - (I) |
| Telephone Company | | | | | | RXR |
| Premises | | | | | | RWR |
| Exchange Access . . | .55 | .50 | .45 | .45 | .40 | 98L(I) |
| Intercommunication . | 7.95 | 7.50 | 6.80 | 5.55 | 3.40 | - (I) |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of ~~secondary~~ locations.

| | Each Station, Per Month<br>First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
|---|---|---|---|---|---|---|
| | | | | | | RX3 |
| Secondary Locations | | | | | | RZR |
| Exchange Access . . . | $ .50 | $ .50 | $ .45 | $ .45 | $ .40 | 98E(I) |
| Intercommunication . . | 8.75 | 8.25 | 7.55 | 6.30 | 4.15 | - (I) |

Material omitted from this page now appears on Page 9.

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Issued: July 13, 1972 Effective: August 3, 1972 pursuant to P.S.C.-D.C. Order No. 5523, dated August 2, 1972.

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E705
Exhibit 41D

## CENTREX SERVICE

## C. RATES

### 1. Attendant Position

| | Per Month | USOC |
|---|---|---|
| Push button console or cord switchboard arranged for full Centrex operation, per position . . . . . . . . . . | $125.00 | RXX<br>RXY |

### 2. Stations

a. Rate Schedule A - Applicable to all Centrex Systems of a customer when each of the Centrex Systems has less than 10,000 main Centrex stations.

(1) Centrex I Service

(a) Main Stations

| Primary Location | Each Station, Per Month First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
|---|---|---|---|---|---|---|
| Switching Equipment located on: | | | | | | |
| Customer Premises | | | | | | RXR<br>RWR (T) |
| Exchange Access . . | $ .45 | $ .40 | $ .35 | $ .35 | $ .30 | 98L |
| Intercommunication . | 6.55 | 6.10 | 5.40 | 4.15 | 2.00 | - |
| Telephone Company Premises | | | | | | RXR<br>RWR |
| Exchange Access . . | .45 | .40 | .35 | .35 | .30 | 98L |
| Intercommunication . | 7.05 | 6.60 | 5.90 | 4.65 | 2.50 | - (T) |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station, Per Month First 50 | Next 25C | Next 600 | Next 600 | Over 1500 | |
|---|---|---|---|---|---|---|
| Secondary Locations | | | | | | RX3<br>RZR (T) |
| Exchange Access . . . | $ .40 | $ .40 | $ .35 | $ .35 | $ .30 | 98E |
| Intercommunication . . | 7.60 | 7.10 | 6.40 | 5.15 | 3.00 | - (T) |

| | Per Month | |
|---|---|---|
| (b) Fully Restricted Stations, each . . . . | $3.25 | RX5<br>RX6 |

E706
Exhibit 41D

## CENTREX SERVICE

C. RATES

1. Attendant Position

| | Per Month | USOC |
|---|---|---|
| Push button console or cord switchboard arranged for full Centrex operation, per position . . . . . . . . . . | $125.00 | RXX<br>RXY |

2. **Stations**

a. Rate Schedule A - Applicable to all Centrex Systems of a customer when each of the Centrex Systems has less than 10,000 main Centrex stations.

(1) Centrex I Service

(a) Main Stations

| | Each Station, Per Month | | | | | |
|---|---|---|---|---|---|---|
| Primary Location | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Switching Equipment located on: | | | | | | |
| Customer Premises . . | $7.00 | $6.50 | $5.75 | $4.50 | $2.30 | RXR<br>RWR<br>98L |
| Telephone Company Premises . . . . . . | 7.50 | 7.00 | 6.25 | 5.00 | 2.80 | RXR<br>RWR<br>98L |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station, Per Month | | | | | |
|---|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Secondary Locations . . | $8.00 | $7.50 | $6.75 | $5.50 | $3.30 | RX3<br>RZR<br>98E |

| | Per Month | |
|---|---|---|
| (b) Fully Restricted Stations, each . . . . | $3.25 | RX5<br>RX6 |

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E707
Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

The Chesapeake & Potomac Telephone Company

Section 13
2nd Revised Page 9
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## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

a. Rate Schedule A (Cont'd)

(1) Centrex I Service (Cont'd)

| | Per Month | USOC | |
|---|---|---|---|
| (b) Fully Restricted Stations located at: | | | (T)(x) |
| Primary Locations, each . . . . . . . . . . . | $3.75 | RX5(I) | |
| Secondary Locations, each . . . . . . . . . . . | 4.50 | RX6(I) | (x) |
| (c) Bridged Stations on the same Centrex Line with: | | | |
| Main Stations, each . . . . . . . . . . . . . . | 2.35 | RX7<br>RVY(I)<br>RVQ | |
| Fully Restricted Stations, each . . . . . . . . | 2.35 | RLR(I) | |

(2) Centrex II Service

(a) Main Stations

| | Each Station, Per Month | | | | | |
|---|---|---|---|---|---|---|
| Primary Location | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Switching Equipment located on: | | | | | | |
| Customer Premises | | | | | | RXR<br>RWR |
| Exchange Access . . | $ .55 | $ .50 | $ .45 | $ .45 | $ .40 | 98L(I) |
| Intercommunication . | 8.20 | 7.75 | 7.05 | 5.80 | 3.65 | - (I) |
| Telephone Company Premises | | | | | | RXR<br>RWR |
| Exchange Access . . | .55 | .50 | .45 | .45 | .40 | 98L(I) |
| Intercommunication . | 8.70 | 8.25 | 7.55 | 6.30 | 4.15 | - (I) |

(x) Material transferred from 1st Revised Page 8.
Material omitted from this page now appears on Page 10.

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By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

a. Rate Schedule A (Cont'd)

(1) Centrex I Service (Cont'd)

| (c) Bridged Stations on the same Centrex Line with: | Per Month | USOC |
|---|---|---|
| Main Stations, each . . . . . . . . . . . . . | $1.85 | RX7<br>RVY<br>RVQ |
| Fully Restricted Stations, each . . . . . . | 1.85 | RLR |

(2) Centrex II Service

(a) Main Stations

| | Each Sta[illegible]er Month | | | | | |
|---|---|---|---|---|---|---|
| Primary Location | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Switching Equipment located on: | | | | | | |
| Customer Premises | | | | | | RXR<br>RWR (T) |
| Exchange Access . . | $ .45 | $ .40 | $ .35 | $ .35 | $ .30 | 98L |
| Intercommunication . | 7.30 | 6.85 | 6.15 | 4.90 | 2.75 | - |
| Telephone Company Premises | | | | | | RXR<br>RWR |
| Exchange Access . . | .45 | .40 | .35 | .35 | .30 | 98L |
| Intercommunication . | 7.80 | 7.35 | 6.65 | 5.40 | 3.25 | - (T) |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station, Per Month | | | | | |
|---|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Secondary Locations | | | | | | RX3<br>RZR (T) |
| Exchange Access . . . | $ .40 | $ .40 | $ .35 | $ .35 | $ .30 | 98E |
| Intercommunication . . | 8.35 | 7.85 | 7.15 | 5.90 | 3.75 | - (T) |

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By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

a. Rate Schedule A (Cont'd)

(1) Centrex I Service (Cont'd)

(c) Bridged Stations on the same Centrex Line with:

| | Per Month | USOC |
|---|---|---|
| Main Stations, each . . . . . . . . . . . . | $1.85 | RX7 |
| Fully Restricted Stations, each . . . . . . | 1.85 | RVQ |

(2) Centrex II Service

(a) Main Stations

| | Each Station, Per Month | | | | | |
|---|---|---|---|---|---|---|
| Primary Location | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Switching Equipment located on: | | | | | | |
| Customer Premises . . | $7.75 | $7.25 | $6.50 | $5.25 | $3.05 | RXR<br>RWR<br>98L |
| Telephone Company Premises . . . . . . | 8.25 | 7.75 | 7.00 | 5.75 | 3.55 | RXR<br>RWR<br>98L |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station, Per Month | | | | | |
|---|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Secondary Locations . . | $8.75 | $8.25 | $7.50 | $6.25 | $4.05 | RX3<br>RZR<br>98E |

## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

a. Rate Schedule A (Cont'd)

(2) Centrex II Service (Cont'd)

(a) Main Stations (Cont'd) (x)

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station, Per Month | | | | | USOC |
|---|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Secondary Locations | | | | | | RX3<br>RZR |
| Exchange Access . . . | $ .50 | $ .50 | $ .45 | $ .45 | $ .40 | 98E(I) |
| Intercommunication . | 9.50 | 9.00 | 8.30 | 7.05 | 4.90 | - (I)(x) |

(b) Fully Restricted Stations located at: (T)

| | Per Month | |
|---|---|---|
| Primary Locations, each . . . . . . . . . . . . | $3.75 | RX5(I) |
| Secondary Locations, each . . . . . . . . . . . | 4.50 | RX6(I) |

(c) Bridged Stations on the same Centrex Line with:

| | | |
|---|---|---|
| Main Stations, each . . . . . . . . . . . . . . | 2.60 | RX7<br>RVY(I) |
| Fully Restricted Stations, each . . . . . . . | 2.35 | RVQ<br>RLR(I) |

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(x) Material transferred from 1st Revised Page 9.
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Exhibit 41D

## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

a. Rate Schedule A (Cont'd)

| (2) Centrex II Service (Cont'd) | Per Month | USOC |
|---|---|---|
| (b) Fully Restricted Stations, each | $3.25 | RX5<br>RX6 |
| (c) Bridged Stations on the same Centrex Line with: | | |
| Main Stations, each | 2.10 | RX7 |
| Fully Restricted Stations, each | 1.85 | RVQ |

b. Rate Schedule B

Rate Schedule B applies for all Centrex Systems of a customer when at least one of the Centrex Systems has 10,000 or more Centrex Main Stations. Rate Schedule B includes the facilities necessary for intercommunications with:

- Centrex Main Stations of other Washington Metropolitan Exchange Area Centrex Systems of the same customer,
- Centrex Main Stations of Washington Metropolitan Exchange Area Centrex Systems of one other customer having at least one Centrex System of 10,000 or more main Centrex stations provided from the Washington Zone of the Washington Metropolitan Exchange Area,
- Stations of private branch exchange systems which are connected through a common dial tie line switching system established to interconnect 10,000 or more stations in the Washington Metropolitan Exchange Area.

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Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

The Chesapeake & Potomac Telephone Company

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## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

b. Rate Schedule B (x)

Rate Schedule B applies for all Centrex Systems of a customer when at least one of the Centrex Systems has 10,000 or more Centrex Main Stations. Rate Schedule B includes the facilities necessary for intercommunications with:

- Centrex Main Stations of other Washington Metropolitan Exchange Area Centrex Systems of the same customer,
- Centrex Main Stations of Washington Metropolitan Exchange Area Centrex Systems of one other customer having at least one Centrex System of 10,000 or more main Centrex stations provided from the Washington Zone of the Washington Metropolitan Exchange Area,
- Stations of private branch exchange systems which are connected through a common dial tie line switching system established to interconnect 10,000 or more stations in the Washington Metropolitan Exchange Area. (x)

(1) Centrex I Service

(a) Main Stations

| | Each Station, Per Month | | | | | USOC |
|---|---|---|---|---|---|---|
| | First | Next | Next | Next | Over | |
| Primary Location | 50 | 250 | 600 | 600 | 1500 | |
| Switching Equipment located on: | | | | | | |
| Customer Premises | $8.20 | $7.70 | $6.95 | $5.70 | $3.50 | RXR<br>RWR(I) |
| Telephone Company Premises | 8.70 | 8.20 | 7.45 | 6.20 | 4.00 | RXR<br>RWR(I) |

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By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E713
Exhibit 41D

CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

b. Rate Schedule B (Cont'd)

(1) Centrex I Service

(a) Main Stations

| Primary Location | Each Station, Per Month<br>First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | USOC |
|---|---|---|---|---|---|---|
| Switching Equipment located on: | | | | | | |
| Customer Premises . . | $7.20 | $6.70 | $5.95 | $4.70 | $2.50 | RXR<br>RWR |
| Telephone Company Premises . . . . . . | 7.70 | 7.20 | 6.45 | 5.20 | 3.00 | RXR<br>RWR |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station, Per Month<br>First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
|---|---|---|---|---|---|---|
| Secondary Locations . . | $8.20 | $7.70 | $6.95 | $5.70 | $3.50 | RX3<br>RZR |

| | Per Month | |
|---|---|---|
| (b) Fully Restricted Stations, each . . . . . | $3.25 | RX5<br>RX6 |
| (c) Bridged Stations on the same Centrex Line with: | | |
| Main Stations, each . . . . . . . . . . . | 1.95 | RX7 |
| Fully Restricted Stations, each . . . . . | 1.85 | RVQ |

## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

b. Rate Schedule B (Cont'd)

(1) Centrex I Service (Cont'd)

(a) Main Stations (Cont'd)

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations. (x)

| | Each Station, Per Month | | | | | USOC | |
|---|---|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | | |
| Secondary Locations . . | $9.45 | $8.95 | $8.20 | $6.95 | $4.75 | RX3<br>RZR(I) | |

| | Per Month | | |
|---|---|---|---|
| (b) Fully Restricted Stations located at: | | | (T) |
| Primary Locations, each . . . . . . . . . . . . | $3.75 | RX5(I) | |
| Secondary Locations, each . . . . . . . . . . . | 4.50 | RX6(I) | |
| (c) Bridged Stations on the same Centrex Line with: | | | |
| Main Stations, each . . . . . . . . . . . . . . | 2.45 | RX7<br>RVY(I) | |
| Fully Restricted Stations, each . . . . . . . . | 2.35 | RVQ<br>RLR(I) | (x) |

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(x) Material transferred from Original Page 11.
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Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

b. Rate Schedule B (Cont'd)

(2) Centrex II Service (applicable to Centrex Systems of less than 10,000 Main Stations)

| (a) Main Stations | Each Station, Per Month | | | | | USOC |
|---|---|---|---|---|---|---|
| Primary Location | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Switching Equipment located on: | | | | | | |
| Customer Premises . . | $7.95 | $7.45 | $6.70 | $5.45 | $3.25 | RXR<br>RWR |
| Telephone Company Premises . . . . . . | 8.45 | 7.95 | 7.20 | 5.95 | 3.75 | RXR<br>RWR |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station, Per Month | | | | | |
|---|---|---|---|---|---|---|
| | First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
| Secondary Locations . . | $8.95 | $8.45 | $7.70 | $6.45 | $4.25 | RX3<br>RZR |

| | | Per Month | |
|---|---|---|---|
| (b) | Fully Restricted Stations, each . . . . . | $3.25 | RX5<br>RX6 |
| (c) | Bridged Stations on the same Centrex Line with: | | |
| | Main Stations, each . . . . . . . . . . | 2.20 | RX7 |
| | Fully Restricted Stations, each . . . . . | 1.85 | RVQ |

CORRECTED

E716
Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

b. Rate Schedule B (Cont'd)

(2) Centrex II Service (applicable to Centrex Systems of less than 10,000 Main Stations) (x)

(a) Main Stations

| Primary Location | Each Station, Per Month First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | USOC |
|---|---|---|---|---|---|---|
| Switching Equipment located on: | | | | | | |
| Customer Premises . . | $8.95 | $8.45 | $7.70 | $6.45 | $4.25 | RXR<br>RWR(I) |
| Telephone Company Premises . . . . . . | 9.45 | 8.95 | 8.20 | 6.95 | 4.75 | RXR<br>RWR(I) |

Secondary location rate schedules apply one time only within a zone of the Washington Metropolitan Exchange Area, regardless of the number of secondary locations.

| | Each Station, Per Month First 50 | Next 250 | Next 600 | Next 600 | Over 1500 | |
|---|---|---|---|---|---|---|
| Secondary Locations . . | $10.20 | $9.70 | $8.95 | $7.70 | $5.50 | RX3<br>RZR(I) |

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| | Per Month | |
|---|---|---|
| (b) Fully Restricted Stations located at: | | (T) |
| Primary Location, each . . . . . . . . . . . | $3.75 | RX5(I) |
| Secondary Location, each . . . . . . . . . . | 4.50 | RX6(I) |
| (c) Bridged Stations on the same Centrex Line with: | | |
| Main Stations, each . . . . . . . . . . . . . . | 2.70 | RX7<br>RVY(I) |
| Fully Restricted Stations, each . . . . . . . . | 2.35 | RVQ<br>RLR(I)(x) |

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By W. L. Outren, Jr. General [illegible]

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GENERAL SERVICES TARIFF
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The Chesapeake & Potomac Telephone Company

Section 13
1st Revised Page 13
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## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

c. Message Units

No message unit allowance is included in the Centrex Rate Schedules. The charges for message units are as follows:

First 200 are 5¢ each.
All others are 3½¢ each.

3. TOUCH-TONE* Calling Service

The following rates apply in addition to the rates and charges applicable for attendant positions and Centrex stations of the associated Centrex System:

| | Nonrecurring Charge | Per Month | USOC |
|---|---|---|---|
| Attendant Positions and first 25 Centrex Stations . . . . . . . . . . . . . . . | $50.00<br>Per Position | $50.00ϕ | TTN<br>TDC |
| Additional Centrex Stations, each . . . . . . . | - | 1.25 | TDN |

ϕ Minimum Revenue Guarantee of 12 months applies.

4. Charges for Channels Connecting Different Premises

Extension line mileage charges, as specified in this Company's applicable tariff for individual lines, apply between the building in which a bridged station is located and the building in which the associated main or fully restricted station is located. These charges are in addition to the rate for the Centrex bridged station.

| | Per Month | USOC | |
|---|---|---|---|
| | | | (N) |
| 5. Dial Tie Line Terminals, associated with Schedule A Centrex Service Systems, each . . . . . . . . . . | $25.00 | TG9<br>TGA | (N) |

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* Registered Service Mark of A.T.&T. Co.

Issued: December 28, 1971 Effective: January 8, 1972

By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

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Exhibit 41D

## CENTREX SERVICE

### C. RATES (Cont'd)

### 2. Stations (Cont'd)

### c. Message Units

No message unit allowance is included in the Centrex Rate Schedules. The charges for message units are as follows:

First 200 are 5¢ each.
All others are 3½¢ each.

### 3. TOUCH-TONE* Calling Service

The following rates apply in addition to the rates and charges applicable for attendant positions and Centrex stations of the associated Centrex System:

| | Nonrecurring Charge | Per Month | USOC |
|---|---|---|---|
| Attendant Positions and first 25 Centrex Stations . . . . . . . . . . . . . . . . | $50.00<br>Per Position | $50.00* | TTN<br>TDC |
| Additional Centrex Stations, each . . . . . . . | – | 1.25 | TDN |

* Minimum Revenue Guarantee of 12 months applies.

### 4. Charges for Channels Connecting Different Premises (N)

Extension line mileage charges, as specified in this Company's applicable tariff for individual lines, apply between the building in which a bridged station is located and the building in which the associated main or fully restricted station is located. These charges are in addition to the rate for the Centrex bridged station. (N)

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* Registered Service Mark of A.T.&T. Co.

E719
Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

The Chesapeake & Potomac Telephone Company

Section 13
1st Revised Page 14
Cancels Original Page 14

## CENTREX SERVICE

C. RATES (Cont'd)

2. Stations (Cont'd)

c. Message Units (x)

No message unit allowance is included in the Centrex Rate Schedules. The charges for message units are as follows:

First 200 are $.05 each.
All others are $.045 each. (I)

3. TOUCH-TONE* Calling Service

The following rates apply in addition to the rates and charges applicable for attendant positions and Centrex stations of the associated Centrex System:

| | Nonrecurring Charge | Per Month | USOC |
|---|---|---|---|
| Attendant Positions and first 25 Centrex Stations . . . . . . . . . . . . . . . | $50.00<br>Per Position | $50.00ø | TTN<br>TDC |
| Additional Centrex Stations, each . . . . . . . | - | 1.25 | TDN |

ø Minimum Revenue Guarantee of 12 months applies.

4. Charges for Channels Connecting Different Premises

Extension line mileage charges, as specified in this Company's applicable tariff for individual lines, apply between the building in which a bridged station is located and the building in which the associated main or fully restricted station is located. These charges are in addition to the rate for the Centrex bridged station.

| | Per Month | USOC |
|---|---|---|
| 5. Dial Tie Line Terminals, associated with Schedule A Centrex Service Systems, each . . . . . . . . . . | $25.00 | TG9<br>TGA |

(x)

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* Registered Service Mark of A.T.&T. Co.
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By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E720
Exhibit 41D

## CENTREX SERVICE

C. RATES (Cont'd)

6. Dial Conference Arrangement (N)

Connection of stations and lines other than as specified for Centrex Dial Conference Arrangements is permitted, but such connections are subject to transmission and equipment limitations.

a. Attendant Controlled

An attendant controlled dial conference arrangement provides the facilities necessary for the Centrex attendant to establish a conference connection through the Centrex dial switching equipment. The conference connection permits the simultaneous connection of up to five Centrex station lines in addition to the attendant or a combination of those lines and either two tie lines or one central office line, foreign exchange line, WATS or Common Control Switching Arrangement (CCSA) access line and one tie line.

The minimum revenue guarantee period for an attendant controlled dial conference arrangement is three years.

| | Per Month | USOC |
|---|---|---|
| Attendant Controlled Dial Conference Arrangement . . . . | $67.00 | RKT |

b. Station Controlled

A station controlled dial conference arrangement provides the facilities necessary for a Centrex station user to establish a conference connection through the Centrex dial switching equipment. The conference connection permits the simultaneous connection of up to six Centrex station lines including the initiating station user or a combination of those lines and either two tie lines or one central office line, foreign exchange line, WATS or Common Control Switching Arrangement (CCSA) access line and one tie line.

The minimum revenue guarantee period for a station controlled dial conference arrangement is three years.

| | | |
|---|---|---|
| Station Controlled Dial Conference Arrangement . . . . . | 67.00 | RSE (N) |

## CENTREX SERVICE

C. RATES (Cont'd)

(x)

6. Dial Conference Arrangement

Connection of stations and lines other than as specified for Centrex Dial Conference Arrangements is permitted, but such connections are subject to transmission and equipment limitations.

a. Attendant Controlled

An attendant controlled dial conference arrangement provides the facilities necessary for the Centrex attendant to establish a conference connection through the Centrex dial switching equipment. The conference connection permits the simultaneous connection of up to five Centrex station lines in addition to the attendant or a combination of those lines and either two tie lines or one central office line, foreign exchange line, WATS or Common Control Switching Arrangement (CCSA) access line and one tie line.

The minimum revenue guarantee period for an attendant controlled dial conference arrangement is three years.

| | Per Month | USOC |
|---|---|---|
| Attendant Controlled Dial Conference Arrangement . . . . | $67.00 | RKT |

b. Station Controlled

A station controlled dial conference arrangement provides the facilities necessary for a Centrex station user to establish a conference connection through the Centrex dial switching equipment. The conference connection permits the simultaneous connection of up to six Centrex station lines including the initiating station user or a combination of those lines and either two tie lines or one central office line, foreign exchange line, WATS or Common Control Switching Arrangement (CCSA) access line and one tie line.

The minimum revenue guarantee period for a station controlled dial conference arrangement is three years.

Station Controlled Dial Conference Arrangement . . . . . 67.00 RSE(x)

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By W. L. Outten, Jr., General Marketing Manager, 930 H Street, N. W., Washington, D. C.

E722

Exhibit 41D

## CENTREX I AND II DORMIT[illegible] SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

### A. GENERAL

Centrex I and II Service is furnished to schools, colleges and universities for management use in the administration of the school and for residential use by students, faculty members or employees who reside in dormitories or other residential quarters owned or leased, or under control of the school.

### B. REGULATIONS

1. Management stations are furnished at regular Centrex rates, charges and regulations as specified in Section 13 preceding.

2. Stations for residential use, termed dormitory stations, are furnished on a flat rate basis at rates and charges set forth in C. following.

3. Dormitory service is furnished to a school, college or university only in association with a Centrex System and upon the condition that use of the service shall not be made subject to any charge by the school, college or university in excess of the charges set forth in the tariffs of the Telephone Company.

4. Centrex II Service will only be provided where all main and dormitory stations of the customer's Centrex System are so equipped.

5. Schools, colleges and universities may subscribe to Centrex Dormitory Service under either Option A or Option B as follows:

    a. Option A

    The school, college or university is responsible for payment of all charges. The school, college or university is also responsible for billing and collecting charges for telephone messages, telegrams, cablegrams and radiograms sent paid from or received collect at dormitory stations.

    b. Option B

    The Telephone Company is responsible for the billing and collecting of long distance charges, telegrams, cablegrams and radiograms sent paid from or received collect at dormitory stations. The school, college or university is responsible for the payment of all other rates and charges applicable to the dormitory stations.

PROTESTED

E723
Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

B. REGULATIONS (Cont'd)

5. (Cont'd)

b. Option B (Cont'd)

The school, college or university shall agree to either:

(1) Assume responsiblity for the payment of long distance charges billed to dormitory stations deemed by the Telephone Company to be uncollectible or

(2) Render assistance to the Telephone Company in the prompt collection of such charges, in which event no responsibility for the uncollectible portion will be incurred by the school, college or university.

The Telephone Company reserves the right to change a dormitory station to a fully restricted station at the rate specified in Section 13 preceding, in the event of nonpayment of charges billed to the dormitory station.

6. Dormitory station extension service will be provided only within the same dormitory room or residential quarters as the associated dormitory main station.

7. For dormitory stations that are located outside the wire center area for the primary location, extension line mileage charges as specified in this Company's applicable tariff apply between the primary location and the location of the station.

8. TOUCH-TONE* Calling Service is provided to dormitory stations only when the associated Centrex Service has TOUCH-TONE Calling Service. Regulations and rates specified for additional Centrex Stations equipped for TOUCH-TONE Service apply.

---

* Registered Service Mark of A.T.&T. Co.

E724
Exhibit 41D
GENERAL SERVICES TARIFF
P.S.C.-D.C.-No. 203

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

B. REGULATIONS (Cont'd)

9. Minimum Revenue Guarantees

a. Minimum Revenue Guarantees apply only to Centrex main stations, Centrex dormitory main stations and attendant positions.

Fully restricted, bridged, and dormitory extension stations are not included in any Minimum Revenue Guarantees.

b. Centrex and Dormitory Main Stations

(1) On at least one premises of the customer, main stations are subject to a Continuing Minimum Monthly Charge which shall be the charge for 100 main stations at the appropriate Centrex I - primary location schedule.

(2) All main stations of a Centrex System shall be subject to a Minimum Revenue Guarantee for a period of three years. The Minimum Revenue Guarantees for Centrex and dormitory main stations will be computed separately and totaled for the customer's Minimum Revenue Guarantee as follows:

(a) When the number of Centrex main stations and dormitory main stations are below one-hundred at the time service is initially established, the Minimum Revenue Guarantee is determined as follows:

Apply the Centrex I primary location schedule to the actual number of Centrex main stations and the appropriate dormitory main station schedule to the actual number of dormitory main stations.

(b) When the number of Centrex main stations is below one-hundred and the number of dormitory main stations is one-hundred or more at the time service is initially established, the Minimum Revenue Guarantee is determined as follows:

[illegible]

E725
Exhibit 41D

CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

B. REGULATIONS (Cont'd)

9. Minimum Revenue Guarantees (Cont'd)

b. Centrex and Dormitory Main Stations (Cont'd)

(2) (Cont'd)

(b) (Cont'd)

Apply the Centrex I primary location schedule to the actual number of Centrex main stations and the appropriate dormitory main station schedule to the first one-hundred dormitory main stations and that same schedule to 90 per cent of the immediate lower hundreds level below the number of dormitory main stations in excess of the first one-hundred dormitory main stations initially connected.

(c) When the number of Centrex main stations is one-hundred or more when service is initially established, the Minimum Revenue Guarantee is determined as follows:

(I) Apply the Centrex I primary location schedule to the first one-hundred Centrex main stations and that same schedule to 90 per cent of the immediate lower hundreds level below the number of Centrex main stations initially connected and

(II) Apply the appropriate dormitory main station schedule as specified in (a) or (b) preceding.

(d) The guarantee as determined in (a), (b) or (c) preceding shall not be less than the Continuing Minimum Monthly Charge.

E726
Exhibit 41D

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

B. REGULATIONS (Cont'd)

9. Minimum Revenue Guarantees (Cont'd)

b. Centrex and Dormitory Main Stations (Cont'd)

(2) (Cont'd)

(e) Additional Minimum Revenue Guarantee

(I) When subsequent growth occurs to a Centrex System where the number of Centrex or dormitory main stations was below one-hundred when service was initially established, an Additional Minimum Revenue Guarantee will be established when the total main stations in service equals [illegible]undred or more Centrex or dormitory main [illegible]. The Additional Minimum Revenue Guarantee will apply for a period of three years and will be based on the actual growth of Centrex or dormitory main stations up to the one-hundred level and 90 per cent of the additional hundreds level(s) in excess of the first one-hundred Centrex or dormitory main stations.

(II) When subsequent growth occurs to a Centrex System with one-hundred or more Centrex or dormitory main stations, an Additional Minimum Revenue Guarantee will be established when the total main stations in service exceeds 20 stations beyond the next higher hundreds level above that previously established. The Additional Minimum Revenue Guarantee will apply for a period of three years and will be based on 90 per cent of the additional hundreds level(s) above that previously established.

(f) Centrex II rates will apply to all main stations for a minimum of one year following the establishment of such service.

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

B. REGULATIONS (Cont'd)

9. Minimum Revenue Guarantees (Cont'd)

b. Centrex and Dormitory Main Stations (Cont'd)

(2) (Cont'd)

(g) A school with Centrex Dormitory Service may designate one 3-month period in any one 12-month period during which the Minimum Revenue Guarantee will be that applicable to management stations but at no time less than that for 100 main stations. The 3-month period need not be continuous but the minimum period will be one month. The Minimum Revenue Guarantee applicable just prior to the designated period will apply following the period, regardless of the number of Centrex stations in service at the time, and will also apply should the Centrex System be disconnected during such period.

c. The Minimum Revenue Guarantee for each attendant position shall be equal to the monthly charges for three years at the same location beginning with the date of connection.

E728
Exhibit 41D

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

### C. RATES

1. The following rates apply for Centrex I dormitory main stations as related to the residence individual line flat rate service rate:

| | Each Main Station Per Month | USOC |
|---|---|---|
| **a. Option A** | | |
| Switching Equipment Located on: | | |
| (1) Customer Premises . . . . . . . | $.50 less than residence individual line flat rate service. | PS7 |
| (2) Telephone Company Premises . . | $.25 less than residence individual line flat rate service. | PS7 |
| **b. Option B** | | |
| Switching Equipment Located on: | | |
| (1) Customer Premises . . . . . . . | $.25 less than residence individual line flat rate service. | RXZ |
| (2) Telephone Company Premises . . | The same rate as for residence individual line flat rate service. | RXZ |

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

C. RATES (Cont'd)

2. The following rates apply for Centrex II dormitory main stations as related to the residence individual line flat rate service rate:

| | Each Main Station Per Month | USOC |
|---|---|---|
| **a. Option A** | | |
| Switching Equipment Located on: | | |
| (1) Customer Premises . . . . . . . | $.25 more than residence individual line flat rate service. | PS7 |
| (2) Telephone Company Premises . . | $.50 more than residence individual line flat rate service. | PS7 |
| **b. Option B** | | |
| Switching Equipment Located on: | | |
| (1) Customer Premises . . . . . . . | $.50 more than residence individual line flat rate service. | RXZ |
| (2) Telephone Company Premises . . | $.75 more than residence individual line flat rate service. | RXZ |

E730
Exhibit 41D

## CENTREX I AND II DORMITORY SERVICE - SCHOOLS, COLLEGES OR UNIVERSITIES

C. RATES (Cont'd)

3. The following rates and charges apply for Centrex Dormitory Extension Service:

| | Each Extension Station Per Month | USOC |
|---|---|---|
| a. Associated with Centrex I dormitory main stations . . . . . . . . . | The same rate as for residence flat rate extension service. | PS9 |
| b. Associated with Centrex II dormitory main stations . . . . . . . . . | $.25 more than the residence flat rate extension service. | PS9 |

4. Service Charges

Service charges for Centrex Dormitory Service will be the same as those for regular Centrex Service as specified in this Company's applicable tariff.

E731
EXHIBIT 43
April 17, 1963 Tennessee Public
Service Commission Order

## BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION

Nashville, Tennessee

April 17, 1963

IN RE: SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY

PROTEST AND REQUEST FOR SUSPENSION OF GENERAL EXCHANGE TARIFF, SECTION 51, ORIGINAL SHEETS 1 THROUGH 12, SECTION 6, SIXTH REVISED SHEET 4, AND SECOND REVISED SHEET 4, AND SECTION 21, SEVENTH REVISED SHEET 3, FILED BY SECRETARY OF THE ARMY, ET AL.

DOCKET NO. U-4531

USA 33a-475
(ED. 4-23-71)
PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
43
FPI-MI—9-24-76-50M-4417

## O R D E R

This matter is before the Tennessee Public Service Commission upon the petition of protest of the Secretary of the Army acting in behalf of the Department of Defense and other executive agencies of the United States Government heretofore filed in this cause and the motion to dismiss filed by Southern Bell Telephone and Telegraph Company, and the entire record in this cause.

After due notice this matter was heard on February 28, 1963 at which time the following appearances were entered:

APPEARANCES:

Curtis L. Wagner, Jr., [illegible]
Branch, Litigation Division, Office of the Judge
Advocate General, Department of the Army,
Washington 25, D. C., appearing for the petitioner-protestant.

Exhibit 43

Major Jack C. Dixon, Attorney, United States Air Force, Tax and Litigation Division, Office of the J. A. G., Headquarters USAF, Washington 25, D. C., appearing for petitioner-protestant.

T. G. Pappas, Attorney, Green Hills Office Building, Nashville, Tennessee, appearing for respondent, Southern Bell Telephone and Telegraph Company.

Drury B. Thompson, Attorney, 1245 Hurt Building, Atlanta, Georgia, appearing for respondent, Southern Bell Telephone and Telegraph Company.

George Shuff, General Counsel, Eugene W. Ward, Assistant General Counsel, and Stanley J. White, Tax Consultant, for the Commission.

After considering the entire record and oral argument of counsel, the Commission finds and concludes:

1. That the protestant's petition advocates, in effect, the same method for fixing of rates for this service as advanced by the protestants in Docket U-4398.

2. That this Commission has, in the past, fixed rates on a "state-wide" basis, taking into consideration the overall cost of all types of service offered by a utility and equitably balancing the interest of the various subscribers with the requirements of the utility. Its policy in this respect was set out in its order of May 23, 1961 in Docket U-4398. Nothing presented herein provides any reason to abandon or alter that policy in this case.

3. That the protestants admit that there will be costs to the utility in providing this optional service. The protestants' allegation that there will be tremendous savings to the utility from the use of centrex service by subscribers is not substantiated by the evidence filed by protestants. That evidence consists primarily of

E733
Exhibit 43

opinions of protestant's employees who state their opinion of the nature and characteristics of the new service offering. They reach the conclusion based on certain very general assumptions that "on an overall long range basis" respondent will reduce its expenses and capital investment in an undetermined amount if there should be widespread installations of centrex service. One witness, however, stated, "I do not intend to imply that cost will not be involved in rearranging both central office and PBX equipment in providing Centrex." (Tr. p. 44) Thus, it appears that any savings in connection with centrex will come only after all necessary rearrangements have been completed.

4. That if eventually there are savings to the utility resulting from the introduction and use of this optional service then under this Commission's policy these savings should and would inure to the benefit of all subscribers and not just to the few from whose service the savings may allegedly have been partially realized. This again is consistent with the state-wide value of service theory of rate-making to which this Commission subscribes.

5. That this Commission finds and concludes that the public interest does not require that the policies and practices of this Commission be abandoned and that a special rate based on cost be adopted for this new and optional service offered under the tariffs in question. The Commission further finds and concludes that the motion to dismiss is well taken and should be granted.

E734
Exhibit 43

IT IS THEREFORE ORDERED:

1. That the motion to dismiss filed herein by Southern Bell Telephone and Telegraph Company on February 28, 1963, be, and the same is hereby, granted.

2. That the petition filed by the Government in protest to the tariffs in question be, and the same is hereby, dismissed.

CAYCE L. PENTECOST
CHAIRMAN

COMMISSIONER

JOHN C. HAMMER
COMMISSIONER

ATTEST:

EXECUTIVE SECRETARY

(SEAL)

E735
EXHIBIT 44A
March 25, 1964 Tennessee Chancery
Court memorandum

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
44A

SECRETARY OF THE ARMY )
                                          )  IN THE CHANCERY COURT,
VS.  NO. 65590                     )  PART TWO,
                                          )  AT NASHVILLE.
CAYCE L. PENTECOST, CHAIRMAN, ETC., )
ET AL
                                          )

## MEMORANDUM

This cause is before the Court upon the petition of the Secretary of the Army for a writ of certiorari against the members of the Tennessee Public Service Commission and Southern Bell Telephone & Telegraph Company, and for an order setting aside the Commission's order of April 17, 1963, in its Docket No. U-4521 wherein it granted the motion of Southern Bell to dismiss the intervening petition of the Secretary of the Army, and also seeking a remand of the cause to "said Commission with directions that it require and receive evidence from Southern Bell Telephone & Telegraph Company, and that it report its new findings or decisions to the Court."

E736
Exhibit 44A

On March 1, 1962, pursuant to the rules of the Commission, Southern Bell filed with the Commission its tariff to establish an offering for Centrex service to become effective April 1, 1962. This was a new tariff for a new service which is optional and with limited marketability being confined to large users of PBX type service having more than 300 extensions.

On March 20, 1962, the Secretary of the Army filed his "protest to and request for suspension" of Southern Bell's proposed tariff for Centrex service filed on March 1, 1962.

On March 30, 1962, the Commission entered the following order:

> "This matter is before the Tennessee Public Service Commission upon the filing by Southern Bell Telephone and Telegraph Company of the above entitled revisions to its General Exchange Tariff, which are published to become effective April 1, 1962.
>
> "The purpose of the proposed tariff filing is to establish an offering for Centrex service. This service is a fully mechanized PBX-type service which will be available in addition to the existing standard PBX service features. Inasmuch as this service is a new service, the present rates applicable to PBX service will not be affected thereby.

E737
Exhibit 44A

"A protest to this offering has been received from the Department of the Army, Office of the Judge Advocate General, wherein they seek a hearing in connection with this offering.

"Upon considering the entire record in this cause, the Commission is of the opinion that the proposed tariff revision should not be suspended prior to a hearing, but should be permitted to become effective from and after April 1, 1962.

"IT IS THEREFORE ORDERED:

"1. That Southern Bell Telephone and Telegraph Company's General Exchange Tariff, Section 51, Original Sheets 1 through 12, Section 6, Sixth Revised Sheet 4 and Second Revised Sheet 4, and Section 71, Seventh Revised Sheet 3, be, and the same is hereby approved from and after April 1, 1962.

"2. That this matter be set for hearing at a date to be hereinafter determined by the Commission.

"3. That this matter shall remain open for such further and future action and consideration as may be deemed necessary and proper."

By letter dated January 11, 1962, the Commission set for hearing on February 28, 1963, the protest filed by the Secretary of the Army to the proposed rates for Centrex service, which the Commission permitted to go into effect on April 1, 1962. Upon the date set for the hearing Southern Bell filed its motion to dismiss the petition filed by the

Exhibit 44A

Secretary. The Secretary introduced the testimony of two witnesses which dealt largely with savings Southern Bell may realize by the use of Centrex by its large customers, such as petitioner. No testimony was offered to show the costs of such service, nor to show what if any effect the proposed rates would have upon the return Southern Bell would realize upon its investment or the value of the service rendered. Southern Bell offered no proof to support the reasonableness of the proposed rates.

The real issue is whether or not the Commission should adopt a "segmented cost" concept in fixing the new rates as insisted by the Secretary of the Army or whether it should continue to follow the "state-wide" value of service theory.

On April 17, 1963, the Commission entered the following order:

> "After considering the entire record and oral argument of counsel, the Commission finds and concludes:
>
> "1. That the protestant's position advocates, in effect, the same method for fixing of rates for this service as advanced by the protestants in Docket U-[illegible].

E739
Exhibit 44A

"2. That this Commission has, in the past, fixed rates on a 'state-wide' basis, taking into consideration the overall cost of all types of service offered by a utility and equitably balancing the interest of the various subscribers with the requirements of the utility. Its policy in this respect was set out in its order of May 23, 1961 in Docket U-4398. Nothing presented herein provides any reason to abandon or alter that policy in this case.

"3. That the protestants admit that there will be costs to the utility in providing this optional service. The protestant's allegation that there will be tremendous savings to the utility from the use of centrex service by subscribers is not substantiated by the evidence filed by protestants. That evidence consists primarily of opinions of protestant's employees who state their opinion of the nature and characteristics of the new service offering. They reach the conclusion based on certain very general assumptions that 'on an overall long range basis' respondent will reduce its expenses and capital investment in an undetermined amount if there should be widespread installations of centrex service. One witness, however, stated, 'I do not intend to imply that cost will not be involved in rearranging both central office and PBX equipment in providing Centrex.' (Tr. p. 44) Thus, it appears that any savings in connection with centrex will come only after all necessary rearrangements have been completed.

"4. That if eventually there are savings to the utility resulting from the introduction and use of this optional service that under this Commission's policy these savings should and would inure to the benefit of all subscribers and not just to the few firms whose service the savings may allegedly have been partially realized.

E740
Exhibit 44A

This again is consistent with the state-wide value of service theory of rate-making to which this Commission subscribes.

"5. That this Commission finds and concludes that the public interest does not require that the policies and practices of this Commission be abandoned and that a special rate based on cost be adopted for this new and optional service offered under the tariffs in question. The Commission further finds and concludes that the motion to dismiss is well taken and should be granted.

"IT IS THEREFORE ORDERED:

"1. That the motion to dismiss filed herein by Southern Bell Telephone and Telegraph Company on February 20, 1963, be, and the same is hereby, granted.

"2. That the petition filed by the Government in protest to the tariffs in question be, and the same is hereby, dismissed."

The Secretary filed its petition for rehearing and to set aside the order of the Commission dismissing his protest and this petition was denied on May 31, 1963, upon the ground that it presented no new or additional matters.

It is significant that this proceeding does not involve an increase or change in an established rate but the making of a new rate for a new service which is entirely optional.

E741
Exhibit 44A

This State, as well as many others, is committed to the practice of fixing utility rates on a "state-wide" basis and not upon the "segmented cost principal". This also seems to be the Federal rule.

This Court is of the opinion that the findings of the Commission are supported by the record and that it has not acted arbitrarily, capriciously, or illegally in granting the motion of Southern Bell to dismiss the petition of the Secretary of the Army. The Commission's orders of March 30, 1962, and April 17, 1963, are affirmed.

The petition for certiorari will be dismissed at the cost of the petitioner.

Decree accordingly.

Alfred T Adams
CHANCELLOR

This March 25th, 1964.

E742
EXHIBIT 44B
Tennessee Chancery Court order

| | |
|---|---|
| SECRETARY OF THE ARMY | IN PART II OF THE CHANCERY |
| VS. | COURT AT NASHVILLE, TENNESSEE |
| | RULE NO. 85390 |
| CAYCE L. PENTECOST,<br>CHAIRMAN, ETC., ET AL | |

This cause came on to be heard this ______ day of March, 1964, before the Honorable Alfred T. Adams, Chancellor, and upon former days of the term, upon the entire record and argument and briefs of counsel, upon consideration of all of which the Court has made its findings and conclusions in accordance with its memorandum opinion which is hereby ordered filed and made a part of the record in this cause and which is referred hereto and made a part hereof. And the Court being of the opinion that the findings and conclusions of the Tennessee Public Service Commission as evidenced by said Commission orders of March 30, 1962 and April 17, 1963 are supported by the record.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED by the Court that the petition for certiorari heretofore filed in this cause by Secretary of the Army be and same hereby is dismissed at petitioner's cost.

To the foregoing action of the Court in dismissing his petition the petitioner Secretary of the Army respectfully excepts.

APPROVED AS TO FORM:

Carrol D. Killgore
Solicitor for Petitioner

George Shuff
Solicitor for Respondent,
Tennessee Public Service Commission

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
44B
USA 33a-475
(ED. 4-23-71)

E743
EXHIBIT 44C
April 7, 1964 Tennessee Chancery
Court decree

SECRETARY OF THE ARMY )
) IN THE CHANCERY COURT,
VS. NO. 85390 ) PART TWO,
) AT NASHVILLE.
CAYCE L. PENTECOST, CHAIRMAN, )
ET AL )

## DECREE

In this cause the complainant having at a former day presented a petition to re-hear, which has been considered by the Chancellor, a re-hearing as prayed is refused.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED by the Court that the petition to re-hear be dismissed and that petitioner pay the costs thereof.

Alfred T Adams
CHANCELLOR

This 7th day of April,

Mr. Carol Kilgore
cc: Mr. George [illegible]
Mr. J. C. [illegible]
Mr. [illegible]

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
44C
USA 33a-475
(ED. 4-23-71)

USA 33e - 475
(ED. 4-23-71)
PLAINTIFF

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

44D

FPI-MI—9-24-78-50M-4417

E744
EXHIBIT 44D
Tennessee Chancery Court
modified decree

IN THE CHANCERY COURT, PART II

AT NASHVILLE

SECRETARY OF THE ARMY

v.

ENOCH L. PENTECOST, Chairman,
et al

Rule No. 85390

## D E C R E E

This cause came on to be heard upon the motion of petitioner to strike that portion of the decree entered on April 7, 1954, which adjudges costs against the petitioner, and it appearing to the Court that the said motion is well taken and that costs cannot be adjudged against the petitioner because of the provisions of 26 U.S.C., § 4212(a),

IT IS ORDERED, ADJUDGED, AND DECREED by the Court that the decree entered in this cause on April 7, 1954, overruling the petitioner's petition for a rehearing, be amended by striking therefrom its concluding words "and that petitioner pay the costs thereof."

And the petitioner having excepted to and prayed an appeal from the decree entered April 7, 1954, as herein amended, and to all former decrees made in this cause, and not being required to give an appeal bond because of the provisions of 28 U.S.C., §2408, the petitioner is granted an

E745
Exhibit 44D

appeal to the Supreme Court at Nashville.

____________________________
CHANCELLOR

Approved for Entry:

KENNETH HARWELL
United States Attorney

CARROL D. KILGORE
Assistant U.S. Attorney
Solicitors for Petitioner

BASS, BERRY & SIMS
Solicitors for Respondent
Southern Bell Telephone &
Telegraph Company

By____________________________

By____________________________
Solicitor for Tennessee
Public Service Commission

E746
EXHIBIT 44E
August 25, 1964 Tennessee Supreme
Court consent order

**IN THE SUPREME COURT**

**OF TENNESSEE**

**AT NASHVILLE**

SECRETARY OF THE ARMY ]
]
V. ]
]
CAYCE L. PENTECOST, Chairman, ]
et al ]

FILED
AUG 25 1964
RAMSEY LEATHERS
CLERK
SUPREME COURT

## CONSENT ORDER

It appearing to the Court that the Secretary of the Army does not desire to pursue his appeal in this cause and that the parties have consented that the appeal should be dismissed,

It is, therefore, ORDERED, ADJUDGED AND DECREED that the appeal in this cause be dismissed.

ENTER:

Weldon B. White
Judge

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
44E
USA 33a-475
(ED. 4-23-71)

Approved for Entry:

KENNETH HARWELL
United States Attorney

Thomas H. Shriver
THOMAS H. SHRIVER
Assistant U.S. Attorney

T. G. Pappas
J. O. Bass
T. C. PAPPAS & J. O. BASS, Attorneys for
Southern Bell Telephone
and Telegraph Company

GEORGE [illegible], Attorney for
The Tennessee Public Service
Commission

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**Office of CLERK OF THE SUPREME COURT**
FOR THE MIDDLE DIVISION OF THE STATE OF TENNESSEE

*I, RAMSEY LEATHERS, Clerk of said Court, do hereby certify that the foregoing is a true, perfect, and complete copy of the* ORDER DISMISSING APPEAL *of said Court, pronounced at its December term, 19* 63 *, in case of* SECRETARY OF THE ARMY *against* CAYCE L. PENTECOST, ETC. *as appears of record now on file in my office.*

*In Testimony Whereof, I have hereunto set my hand and affixed the seal of the Court at office in the Supreme Court Building at Nashville, on this, the* 25th *day of* August, *19*64.

Ramsey Leathers, *Clerk*

*By* ______________, *Deputy Clerk*

5-64 1M HUSSEY

OA 888 - 475
ED. 4-28-71)

PLAINTIFF

**EXHIBIT**
**U. S. DIST. COURT**
**S. D. OF N. Y.**

45

E747
EXHIBIT 45
July 12, 1962 complaint filed with Louisiana
Public Service Commission

BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION

UNITED STATES DEPARTMENT OF DEFENSE AND THE OTHER EXECUTIVE AGENCIES OF THE UNITED STATES GOVERNMENT,
Complainants

v.

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY, A CORPORATION,
Defendant.

DOCKET NO. 8575

## FORMAL COMPLAINT

Comes now the Secretary of the Army through his duly authorized counsel, The Judge Advocate General, on behalf of the Department of Defense and the other Executive Agencies of the United States Government and respectfully shows:

I

That he is duly authorized by law to make and file this complaint.

II

That the above-named defendant, Southern Bell Telephone and Telegraph Company, is a New York corporation providing local exchange telephone service and both interstate and intrastate toll or long distance telephone service in Louisiana, Alabama, North Carolina, South Carolina, Florida, Georgia, Kentucky, Missouri~~,~~ Mississippi, and Tennesee, and is subject to the jurisdiction of this Commission.

FECTED

E748
Exhibit 45

## III

That the Department of Defense and the other Executive Agencies of the United States have numerous installations located in the State of Louisiana, such as the New Orleans Army Terminal, Camp Leroy Johnson, Louisiana Ordnance Plant, Fort Polk, New Orleans Navy Station, Barksdale Air Force Base, National Aeronautics and Space Administration's Michoud Operation, Slidell Computing Center, and numerous other governmental activities under the control of the General Services Administration, all of which are served by the Southern Bell Telephone and Telegraph Company. Some of these installations have Government owned private branch exchanges (PBX), and some of them have telephone company owned private branch exchanges.

NASA?

## IV

That on 28 February 1962 Southern Bell Telephone and Telegraph Company filed General Exchange Tariff Section 53, Original Sheets 1 through 10, which became effective on 14 March 1962 setting forth rates and charges applicable to "Centrex Service" (or direct dialing to and from PBX extensions). Certain Government installations presently subscribe to "Centrex Service," and others will make use of the service if it is in the best interest of the Government to do so.

## V

That there is nothing in the tariff to show that the rates are proper, just, and reasonable, nor that the basis upon which the rates are predicated is the proper basis to use. Not [illegible] [illegible] compared with rates for other services

E749
Exhibit 45

## VI

That the rates and charges under the involved tariff for "Centrex Service" are unjust and unreasonable since the institution of this service indicates a far greater savings to the Telephone Company than cost because of ① reduced circuit holding time on long haul toll circuits, ② reduced termination equipment to satisfy over-all telephone system traffic demands, ③ reduced toll and local telephone operator workloads, ④ provision of station-to-station toll service to private branch exchange extensions formally requiring person-to-person service, ⑤ increased direct distance dialing capability by extending this service to PBX extensions, and ⑥ utilization of automatic billing procedures. "Centrex Service" is only an optional provision for an existing service which employs an advancement in the art, namely, the replacement of manual trunk switching methods with automatic switching media. "Centrex Service" does not in any way increase the number of telephone subscribers that can be called by the PBX or who can call the PBX over those now available by existing networks. PBX service was covered by the general tariff provisions prior to "Centrex Service" and is still so covered

("Centrex Service" is the last barrier to complete Direct Distance Dialing.) In its "Special Metropolitan Atlanta Extended Directory," dated October 1960, Southern Bell Telephone and Telegraph Company states that you can dial direct to more than 40,000,000 telephones across the nation. This is true only if there is "Centrex Service" because, as stated in American Telephone and Telegraph Company's "Notes on Direct Dialing to and From P.B.X. Extensions," Copyright 1957, more than 50% of the Bell System total originating and/or terminating long distance messages involve PBX system on either or both ends. This,

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Exhibit 45

without "Centrex Service," less than 50% of all Bell System long distance messages can be dialed direct. In Southern Bell Telephone and Telegraph Company's book "How DDD Can Increase Your Profits", dated 2 October 1960, it is stated that 307 seconds are required for a long distance call to reach the call station with a non-mechanized PBX and the usual time and charges information, whereas, "Centrex Service" or PBX mechanization reduces this time to 30 seconds, representing a 90.2% savings in equipment and personnel time in making the long distance connection through the mechanized PBX called telephone. Southern Bell states further in its book "How DDD Can Increase Your Profits" that the Telephone Company will save 13¢ on each and every long distance call in operator and equipment time by the elimination of quoting time and charges. Therefore, it is clear that "Centrex Service" will result in a tremendous boost to Southern Bell's revenue rather than a luxury to PBX customers. "Centrex Service" or PBX mechanization creates such a savings to the Telephone Company that the independent telephone companies serving Fort Riley, Kansas; Fort Leonard Wood, Missouri; and Tyndall Air Force Base, Florida have made no charge for PBX mechanization service, and the City of Anchorage, Alaska, makes no charge for the service to Elmendorf Field and to Fort Richardson.

## VII

That Southern Bell Telephone and Telegraph Company has shown no justification whatsoever for its charges on "Centrex Service". The Government contends that the tariff charges cannot be justified ~~and that~~ after a full hearing the savings to the Telephone Company through the institution of "Centrex Service" may show a need for a general rate reduction on telephone service in the State of Louisiana.

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Exhibit 45

## VIII

That the tariff provisions for "Centrex Service" provide no guarantee of grade or quality of service and gives the Telephone Company the sole discretion as to the adequacy of the kind and amount of service and places additional charges on the customer for any service in excess of that considered adequate by the Telephone Company. This opens the door for arbitrary and capricious action by the Telephone Company and discrimination between customers.

Further, "Centrex Service" requires the customer to subscribe to and pay for service he may not need, but which benefits the Telephone Company.

## IX

A portion of the involved tariff relates specifically to Government owned private branch exchange systems serving military bases. As to these systems, the Department of Defense is primarily affected and there is nothing in the tariff to show either that the rates are lawful and proper or that they are based upon a proper basis. These charges are clearly unreasonable since they are in addition to all other regular charges, yet the institution of the service results in tremendous savings to the Telephone Company as set forth herein before. Further, the Telephone Company would place connection charges to all instruments even though they are owned by the Government and are already in place.

## X

That the Department of Defense and the other Executive Agencies of the United States Government are entitled to a full demonstration and showing in open hearing that the rates and charges for "Centrex Service" are reasonable and in the best interest of the Telephone Company, the people of the State of Louisiana, and the United States Government.

WHEREFORE, complainants pray that the Commission assign this matter for hearing; that Southern Bell Telephone and Telegraph Company be required to fully justify its rates and charges for "Centrex Service"; that after due hearing and investigations an order be issued setting aside Southern Bell Telephone and Telegraph Company's General Exchange Tariff Section 53, Original Sheets 1 through 10, filed 28 February 1962, effective 14 March 1962, and prescribing rates and charges for "Centrex Service" which are just and reasonable; and for such other and further order as the Commission may deem necessary and just in the premises.

Dated at Washington, D. C. this 12th day of July 1962.

Respectfully submitted,

CHARLES L. DECKER
Major General, USA
The Judge Advocate General
for
The Secretary of the Army

By____________________
CURTIS L. WAGNER, JR.
Chief, Commerce Branch
Litigation Division
Office of The Judge Advocate General
Washington 25, D. C.

D. T. Bryant, Major, JAGC
J. E. Macklin, Jr., Major, JAGC
Office of The Judge Advocate
General
Of Counsel

[illegible]

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Exhibit 45

# AFFIDAVIT

State of Virginia )
                  )   ss
County of Arlington)

Harry F. Bauserman, being duly sworn, deposes and says that he is an electronic engineer (general), Army Communications Systems Division, Office of the Chief Signal Officer, Department of the Army; that he has read and is familiar with the contents of the foregoing complaint; and that the facts set forth therein are true and correct to the best of his knowledge, information, and belief.

HARRY F. BAUSERMAN

Sworn to and subscribed before me this 12th day of July 1952.

Notary Public

PROTECTED

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Exhibit 45

## CERTIFICATE OF SERVICE

I do hereby certify that I have this date served a copy of the attached complaint on Southern Bell Telephone and Telegraph Company by forwarding same by first class mail to each of the following at the addresses shown below:

Mr. H. G. Bartes
Vice President and General Manager
Southern Bell Telephone & Telegraph Company
New Orleans, Louisiana

Mr. Drury B. Thompson
General Attorney
Southern Bell Telephone & Telegraph Company
P. O. Box 2211
1245 Hurt Building
Atlanta 1, Georgia

Dated at Washington, D. C., this 13th day of July 1962.

CURTIS L. WAGNER, JR.
Chief, Commerce Branch
Litigation Division
Office of the Judge Advocate General
Department of the Army
Washington 25, D. C.

PROTECTED

E755
EXHIBIT 47
February 14, 1963 petition filed with
New York Public Service Commission

cc: Messrs. Bates, Hampton, Pastore, Burke, Carmichael
Young, MacMillan, Giles, Owens & Gunsalus - EBN 2/18/63

65-498

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
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### BEFORE THE

### NEW YORK PUBLIC SERVICE COMMISSION

## PETITION FOR INVESTIGATION

**New York Telephone Company Tariff**
**PSC No. 800**
**Section 4, Pages 21-26**

Petitioner, United States of America, acting through the Administrator of General Services (GSA), requests the New York Public Service Commission to investigate the above designated tariff pages (CENTREX) filed by New York Telephone Company (Company), and as grounds for its request, Petitioner states:

(1) That GSA is duly authorized to file this petition on behalf of the executive agencies of the United States Government, as users of communication services, by virtue of Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended (63 Stat. 383; 40 U.S.C. 481).

(2) That CENTREX communications facilities and services are being provided to the Federal Government in the borough of Brooklyn and at Idlewild Airport in the State of New York, and that the estimated annual recurring charge in Brooklyn alone is approximately $250,000, an increase of approximately $60,000 over the charges for conventional PBX service.

(3) That the increased charges are not warranted by additional investment or expenses incurred by the Company, and that savings to the Company through improved toll and local circuit utilization warrants rendition of CENTREX service without additional charge over conventional PBX service.

(4) That adequate cost or other justification for CENTREX rates and charges has not been furnished by the Company.

(5) That any differences in the cost of equipment and services required for the furnishing of CENTREX service in comparison with or in relation to costs of conventional PBX equipment and service are known or available to the Company, and such data are not known or available to the Government unless and until the Commission, by order, requires that cost for such equipment and services be produced by the Company and made known to the Commission and to the Government.

(6) That the basis for development of recurring charges for the equipment and services subject to the above-specified tariff items would be shown by the following records, among others, in the possession of or available to the Company:

a. Western Electric current costs for installed "package CENTREX."

b. Annual carrying charge factors applicable to central office equipment - crossbar switching (221-47C account).

(7) That under the CENTREX tariff no specific service standard, service guarantee, or quality assurance is provided for, but discretion remains with the Company with respect to the quantities of central office trunks and switching links ordered, thereby placing control over the grade of service exclusively with the Company.

(8) That the rates and charges for CENTREX service contained in the above designated tariff pages are excessive, unjust and unreasonable and are therefore unlawful.

WHEREFORE, it is respectfully requested that the Commission enter into an investigation of the CENTREX tariff rates, and in connection therewith, require the furnishing of cost and other data as set forth in paragraph (6) hereof.

Respectfully submitted,

BERNARD L. BOUTIN
Administrator of General Services

By___________________________
J. E. Moody
General Counsel

General Services Administration
18th & F Streets, N. W.
Washington 25, D. C.

Morris Levinson
Assistant General Counsel

Thomas J. O'Reilly
Deputy Assistant General Counsel

Washington, D. C.
February 14, 1963

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Exhibit 47

# CERTIFICATE OF SERVICE

I certify that I have this 14th day of February, 1963, served, by United States mail, postage prepaid, copies of the foregoing Petition on the following:

Eric B. Nelson, Esq.
Associate General Counsel
The New York Telephone Company
140 West Street
New York 7, N. Y.

L. S. Uphoff, Chief
Telephone Bureau
New York Public Service Commission
Albany, New York

Thomas J. O'Reilly

E759
EXHIBIT 48
April 29, 1963 New York Telephone
answering statement

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

- - - - - - - - - - - - - - - - - - - - - - x

Complaint of :

GENERAL SERVICES ADMINISTRATION :

with respect to certain tariff provisions filed by the New York Telephone Company. :

- - - - - - - - - - - - - - - - - - - - - - x

Case No. 22626

## ANSWERING STATEMENT OF NEW YORK TELEPHONE COMPANY

USA 33a - 475
(ED. 4-23-71)
PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
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FPI MI—9-24-75-50M-4417

Dated: April 29, 1963.

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STATE OF NEW YORK
PUBLIC SERVICE COMMISSION
- - - - - - - - - - - - - - - - - - - - - - - x

Complaint of :

GENERAL SERVICES ADMINISTRATION : Case No. 22626

with respect to certain tariff provisions filed by the New York Telephone Company. :
:
- - - - - - - - - - - - - - - - - - - - - - - x

## ANSWERING STATEMENT OF NEW YORK TELEPHONE COMPANY

### Introduction

This statement is filed pursuant to an order of the Commission dated April 9, 1963, directing the New York Telephone Company to answer a complaint of the General Services Administration of the United States (GSA) dated February 14, 1963, with respect to certain of the Company's tariffs on file with the Commission relating to Centrex service.*

The complaint of the GSA in substance claims that adequate cost or other justification for Centrex rates has not been furnished by the Company, that Centrex service should be furnished at "conventional" PBX rates, and that the rates are excessive, unjust and unreasonable and therefore unlawful. We shall show that there is no merit to GSA's various claims and

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* The tariffs complained of are embodied in "P.S.C. No. 800, Section 4, Original Pages 21 through 26." Amendments to pages 24 and 25 became effective November 18, 1962 but are immaterial in so far as the GSA's complaint is concerned.

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Exhibit 48

that the complaint should be dismissed. Moreover, we will show that the United States Government has twice urged the Tennessee Public Service Commission to adopt the same cost theory of rate-making which GSA advances in its complaint here, only to have its complaints summarily dismissed in both instances. The latest such effort ended as recently as April 17, 1963, when the Tennessee Commission dismissed on the pleadings the Government's complaint relating to rates for Centrex service offered by the Southern Bell Telephone and Telegraph Company.

GSA's complaint was dated February 14, 1963, and mailed the same day to the Commission and the Telephone Company. It might be noted incidentally that this was one day before the cutover of Centrex service for GSA at Brooklyn and Idlewild Airport, in spite of the fact that GSA had accepted the Telephone Company's proposal for Centrex service at Brooklyn over a year earlier (6-1/2 months earlier in the case of Idlewild) and had full knowledge throughout this entire period of all aspects of Centrex service, including the rates.

Inasmuch as Centrex service is an optional service, GSA's attitude in now objecting to the Centrex rates is difficult to understand. The Government was free to keep the PBX service which it formerly had if it so desired. For that matter, it can even now discontinue the present Centrex service and revert to its former service at any time (with no termination charge), if it should choose to do so.

What Centrex service is.

Centrex service is an optional PBX service. It is a class of service, just as is individual line service (business or residence), 2-party, 4-party or multi-party service, etc. Subject to availability of facilities, Centrex is offered throughout the State to anyone who wishes the service and is available on the same terms and conditions to all customers similarly situated.

There are two types of Centrex service, Centrex-CO and Centrex-CU. The type involved in the GSA complaint is Centrex-CO. Therefore, we will confine our discussion to Centrex-CO service.

Centrex-CO service provides the features of a Type 4 dial PBX system, equipped to identify outgoing toll calls dialed from PBX stations. Centrex-CO service differs from the Type 4 dial PBX system in three essential respects. The first difference is that in the case of Centrex-CO service the dial switching equipment is located on Telephone Company premises, whereas in the case of the Type 4 dial PBX system the dial switching equipment is located on the customer's premises.* The second difference is that in the case of Centrex-CO service electric power to operate the dial switching equipment is

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* Under the other type of Centrex service, namely Centrex-CU, the dial switching equipment is located on the subscriber's premises, the same as it is with the Type 4 dial PBX system. Since the Telephone Company provides the space and power for the dial switching equipment under Centrex-CO, and the subscriber must furnish the space and power under Centrex-CU, the rate for Centrex-CU is understandably somewhat lower. As noted above, Centrex-CU is not involved in GSA's complaint.

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Exhibit 48

furnished by the Telephone Company, whereas in the case of the Type 4 dial PBX system electric power must be furnished by the customer. The third difference is that in the case of Centrex-CO service the basic station rate includes the charges for the various features involved, whereas in the case of the Type 4 dial PBX system each feature is billed separately; thus, the charges for dial apparatus, exchange trunks, mileage for lines between primary stations outside the subscriber's building but within the same building and base rate area, and identification of the calling station on outward toll calls are all included in the basic station rate under Centrex-CO service, rather than being charged for separately as is the case with the Type 4 dial PBX system.

Location of the dial switching equipment on Telephone Company premises relieves subscribers of furnishing power and space for the equipment on their premises and, in many cases, of altering their buildings to accommodate the heavy dial switching equipment. This, of course, required the Telephone Company to provide more space and power in its central offices, factors which necessarily would have to be reflected in the rate treatment.

The package pricing of Centrex service is more readily understood by customers and is simpler to administer than is the separate pricing of the individual features of other PBX services.

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The dial switching equipment provided for Centrex-CO service permits stations connected to the service to dial each other, to dial outgoing calls directly, and to receive incoming calls by direct inward dialing from the calling party to the station. Incoming and outgoing calls may also be completed by the switchboard attendant through the dial switching equipment.

The dial switching equipment used for Centrex-CO service generally is the number 5 crossbar central office equipped with Centrex features. The same central office is also used for the Telephone Company's various other services. With Centrex-CO service each primary station is wired directly into the central office and is connected to a line termination in exactly the same manner as any other central office line. All central office lines utilize the same common equipment such as frames, cabling, originating registers, markers, test equipment, etc. There is no segregation or division between the portion of the equipment used for Centrex-CO service and the portion used for service in general.

As we have pointed out, Centrex-CO service is an optional service. It did not supplant or replace the PBX services which the Government formerly had,* as will be shown in more detail later. It merely offers the customer an option of an expanded and more valuable service at a higher rate which the customer is free to take or not according to his evaluation of its worth from the standpoint of his own individual needs.

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* With the filing of its Centrex offering, the Telephone Company filed concurrent amendments to its tariffs limiting its offering of Types 3 and 4 dial PBX systems to existing installations "which may be continued for a period of five years from the initial installation of the system, provided that the equipment is not moved. * * * At the expiration of the five year period, (or at such time as the equipment is moved, if sooner) rates for Centrex-CU Service will apply." See P.S.C.-N.Y.-No. 800, §4, 1st revised p. 6A and 1st revised p. 6B. However, as will be shown later, GSA was not a subscriber to the Type 3 or 4 dial PBX system.

### Various other PBX services were offered by the Telephone Company at the time Centrex service was offered.

We shall briefly describe at this point the various types of PBX services which were available at the time Centrex service was introduced in 1961.* This background is necessary to understand the development of the rates and charges for Centrex service and to put into proper perspective GSA's claim that the rates for "conventional" PBX services should apply to Centrex service. The rates for Centrex service were developed, as we shall show later, to take into account the existing PBX rate relationships and to reflect the added value of the features which Centrex service has vis-a-vis those of the existing PBX services.

The basic purpose served by any PBX service is to connect central office trunks and tie lines to PBX stations and to interconnect PBX stations. The method used in establishing the connections and interconnections is what distinguishes the various types of PBX service.

There were various types of PBX services available at the time Centrex service was offered, manual PBX systems and four types of dial PBX systems: Type 1 dial PBX system, Type 2 dial PBX system, Type 3 dial PBX system and Type 4 dial PBX system.

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* A complete description of the services is contained in the tariff on file with the Commission. See P.S.C.-N.Y.-No. 800, §4, Pars. B and C.

With manual PBX systems, all connections of central office trunks and tie lines to PBX stations and all interconnections of PBX stations are established manually by the subscriber's attendant at a switchboard.

With any of the dial PBX systems, all stations connected to the system can dial each other and dial outgoing calls. With a Type 1 dial PBX system, incoming calls are manually completed by the subscriber's attendant at the switchboard. With a Type 2 dial PBX system, incoming calls are completed by the subscriber's attendant at the switchboard dialing the called PBX station.

However, continued increases in attendants' wages and the cost of space required for switchboards gave rise to the need for mechanization of some of the functions which are performed manually by the customer's switchboard attendants under the Types 1 and 2 dial PBX systems. It was recognized that a service which provided for completion of incoming calls directly to the desired PBX station without requiring the intervention of a switchboard attendant would be attractive to customers if it could be offered at a rate level which provided a saving over the cost of the existing dial PBX offerings, attendants' wages and space rentals. Such a service, of course, requires additional central office switching facilities and in many cases separate central office designations so that incoming calls can be completed directly to the desired PBX extension. The Types 3 and 4 dial PBX services were the initial PBX offerings that provided for such direct inward dialing. The Types 3 and 4 dial PBX services differ from the Types 1 and 2 services, respectively, only in that direct inward dialing is provided.

To further reduce the customer's requirements for attendants and attendant's position, a means was developed whereby outward toll calls dialed directly from PBX stations could be identified by station number for the customer's administrative purposes. This feature was called identified outward dialing.

Recent developments in the number 5 crossbar switching system made it possible to combine the direct inward dialing and identified outward dialing features as an integral part of the dial switching system. This combination of service features was Centrex-CO service. The Centrex-CO customer retained all the existing PBX features of intercommunicating, dial selection of tie lines, etc., and in addition was offered direct inward dialing and identified outward dialing with all of the necessary dial switching equipment being located in the Telephone Company central office building.

### The real question involved here is the proper relationship of the rates for Centrex-CO service to existing rates for other services.

In urging that rates for Centrex service be established solely upon the basis of cost and that, in any event, rates for Centrex service be no greater than rates for "conventional" PBX service, GSA ignores the central consideration involved, namely the question of rate relationships.

Where in the rate structure should the rate for a new service offering fall and what considerations determine this? After all, the Telephone Company was not entering the telephone business for the first time with Centrex. It was already offering a vast variety of services, including the various PBX services, each offered at different rates and charges. The objective was to develop a rate for Centrex service which would fit equitably into the existing PBX rate structure and would fairly reflect the value of Centrex service relative to the value of the existing PBX services. Plainly, this cannot be done on the basis of the cost of an individual service, as GSA urges, for such a cost approach ignores rate relationships and values. Moreover, as we shall show later, the fixing of rates for individual services on the basis of their respective costs would create regulatory chaos and would violate the accepted basis of telephone ratemaking in New York.

## Centrex rates are reasonable, in proper relationship with existing state-wide PBX rates and in line with the value of the service.

The starting point in determining where in the PBX rate structure Centrex-CO service should fall was the rate for the existing type of PBX service most similar in nature to

Centrex-CO service which was the Type 4 dial PBX system. It might be noted, parenthetically, that the Type 4 dial PBX system had been available for about a year and a half at the time Centrex was introduced.

The next step was to see what features and advantages Centrex-CO service would have over the Type 4 dial PBX system and to evaluate their worth. The total additional value of these features and advantages was then added as an increment to the rate for the Type 4 dial PBX service to arrive at a tentative rate.

What features and advantages would Centrex-CO service provide that are not included in the rate for the Type 4 dial PBX system and what would a customer be willing to pay for the additional features?

Some features included in Centrex service are available to Type 4 dial PBX customers at separate charges, as pointed out earlier. These features were priced out on the basis of tariff rates. In this category, we find:

(1) Central office trunks. No separate charge is made under Centrex service for normal central office trunks. With Centrex-CO service each primary station is wired directly into the central office and hence each station has its own "trunk", in the sense that the term is used in connection with other PBX services.

(2) Arrangement for toll billing information. No separate charge is made under Centrex service for details of

originating toll calls to associate such calls to specific stations.

(3) Mileage. No separate charge is made under Centrex service for mileage between primary stations outside the subscriber's building but within the territory served from the same central office building and within the base rate area.

Other values offered by Centrex-CO service but not available to the Type 4 dial PBX subscribers were priced out on an average cost basis, e.g.:

(1) Savings to the subscriber from the reduction in the subscriber-provided space for switching equipment which, under Centrex-CO service, will be located on Telephone Company premises.

(2) Savings the subscriber would realize through not having to provide electric power which, under Centrex-CO service, is provided by the Telephone Company.

Finally, Centrex-CO service offered certain attractions not available to the Type 4 dial PBX subscriber which are of definite value to the customer but which did not lend themselves to specific price-outs. Examples include:

(1) The subscriber is spared the cost of any construction or alteration to strengthen his building to accommodate heavy dial switching equipment which, under Centrex-CO service, will be located on Telephone Company premises.

(2) Additional capacity and facilities are normally available without delay after the initial installation and with

less trouble and bother to the customer, saving the customer the expense of carrying spare capacity.

(3) There is no termination charge, lowering the customer's contingent liabilities and giving him greater freedom of choice and flexibility in such matters as changes in location, sale or termination of his business, etc.

Thus, we we have seen, Centrex-CO service offered the customer advantages over the Type 4 dial PBX service of three separate kinds, i.e.:

(1) Centrex-CO service includes service formerly available only at extra charges.

(2) Centrex-CO service allows the customer to make savings in attendant's cost, space, building alteration cost and power.

(3) Centrex-CO service offers the customer certain intangible benefits.

Once a value was placed upon the additional features, in the manner described, tentative rates for Centrex-CO service were arrived at by adjusting the rate for the nearest comparable service, the Type 4 dial PBX system, to reflect the greater value offered to the customer by Centrex-CO service.

The next step was a check to see if the tentative rates would pay their own way and not constitute a burden on other customers. Once the Company was satisfied that the Centrex-CO rates would pay their own way, the rates were incorporated in the rate structure in the customary manner, i.e., through amendments to the Company's filed tariff.

Exhibit 48

### To fix Centrex rates in the manner suggested by GSA would require a departure from the established method of rate-making in this State and result in a fragmentizing of the rate-making process.

The whole thrust of GSA's position is that rates for Centrex service must be justified solely upon the basis of cost. This totally disregards the fact that Centrex, though a new service offering, is basically an improvement and enlargement of an existing class of main service (using unsegregated plant in common with other classes of service) and that, as such, its rate must bear a proper relationship to rates for other classes of service.

Centrex rates were not established in the manner suggested by the GSA, as we have shown, and indeed could not have been established in such a manner under the concept of rate-making which has long been in effect in New York.

For, under the state-wide method of rate-making in effect in New York, as it was well described by the Commission in Re New York Telephone Company, Case No. 14131, May 10, 1950, 84 PUR NS 267, 296, the "state as a whole should be treated as a unit in fixing rates." The "basis of the theory is that on the company's operations as a whole, it is entitled to earn a fair return even though its earnings in parts of its system may be higher or lower than that amount, and that the payment by the user of the telephone should be dependent upon the service rendered rather than upon the amount of profit made on the investment made to serve any particular subscriber or group."

Thus in Case No. 14131, the Commission rejected the view that the amount of profit made on the investment to serve any particular subscriber or group should be the basis upon which rates are established. Nevertheless, GSA is now urging that cost and investment related to Centrex service are controlling.

This Commission restated its intentions with regard to state-wide rate-making again in 1954 in its opinion in Re New York Telephone Company, Case No. 16548, August 5, 1954, 5 PUR 3d 33, 58:

> "For many years this commission has used the so-called state-wide method of fixing telephone rates under which uniform rates are fixed for exchanges of approximate size. The commission has adhered to this theory, despite the many changes which have occurred in its personnel since this principle was first adopted. In fact, there have been at least four different chairmen during that period. In our opinions in Case 14131 (1950) 84 PUR NS 267, and Case 15235 (1951) 91 PUR NS 231, we discussed this practice and the reasons underlying it in detail.
>
> "An appeal was taken from our decision in Case 14131, supra, and our decision was unanimously affirmed (1952) 279 App Div 817, 92 PUR NS 143, 109 NYS2d 131. A further appeal by permission was taken to the court of appeals but that appeal has been dormant for something over two years and there is no assurance that it ever will be argued. This method of fixing rates should not be changed without the most convincing proof that some other method is better and that the change will receive the judicial sanction that the present method has obtained."

In the face of this history, GSA now asks the Commission to depart from the established method of telephone

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Exhibit 48

rate-making in New York and to isolate the rate for the optional Centrex service on the basis of cost, i.e., to fragmentize the rate-making process in so far as this one service is concerned. The effect, of course, would be to undermine and scuttle the established method of rate-making in this State.

For if rates for Centrex are to be fixed solely on the basis of cost for this particular service, assuming _arguendo_ that this is practicable, it is to be expected that other subscribers will ask that rates for their services be fixed on the basis of cost also. Once rates are fixed in this manner for particular services, the existing rate relationships will be unbalanced and customers for other related services might then seek adjustments of their rates on the grounds of discrimination. For example, a "conventional" PBX customer might claim discrimination if the much more valuable Centrex-CO service were offered at the same rate as the conventional service.

The administrative nightmare which could result from any such approach is apparent. Indeed, it could be far greater than that which caused this Commission to adopt its present method of rate-making in the first place. For if, as this Commission has aptly observed, "it would lead to complete administrative nonsense if each municipal unit in the state were to be treated as a separate unit and rates were fixed upon the actual investment of the company in that municipality",*

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* _Re New York Telephone Company_, Case No. 14131, 84 PUR NS 267, at p. 299.

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Exhibit 48

the administrative nonsense would be compounded if rates for each individual service were based on cost alone.

That the Commission should not entertain any such theory of rate-making is clear, we feel, from the cases which we have already cited. However, the problem was touched upon specifically by Commissioner Eddy in his opinion in Re New York Telephone Company, Case No. 16548, Feb. 17, 1958, 22 PUR 3d 389. In rejecting a complaint filed by certain New York City department stores against the form of a new rate (the stores claimed the rates for residence and business service should be the same), Commissioner Eddy said (22 PUR 3d, at p. 391):

> "The present tariff of the New York Telephone Company on file with us consists of over 2,000 pages. It covers a multiplicity of rates for many different types of service. If we understand the position of the petitioners, not one of those rates could be permitted to become effective after a rate case unless there were detailed and expressed proof justifying that particular rate. We do not believe that the legislature ever contemplated any such cumbersome system."

On the contrary, as Commissioner Eddy also noted, the language of the Public Service Law "clearly indicates that the legislature expected that there would be a broad field of tolerance and reasonable allowance for discretion in fixing rates - particularly as to form" (22 PUR 3d, at p. 390). Certainly, the Centrex rates fall safely within that field.

This is not the first time the United States Government has asked a state commission to give special treatment to a rate in which it has an interest. The Government asked the Tennessee Public Service Commission for special treatment in connection with the rates for dial PBX with direct inward dialing offered by the Southern Bell Telephone and Telegraph Company. The Government's petition was based on the same theory which GSA advances here. The Tennessee Public Service Commission summarily rejected the Government's argument, stating (In Re Southern Bell Telephone and Telegraph Company, Docket No. U-4398, May 23, 1961, a copy of which order and of a further order dated September 13, 1961, denying the Government's application for reconsideration, are attached as Appendix A):

> "2. The theory of rate-making thus urged upon the Commission by the petitioner is incompatible with the method of rate-making for telephone service which has been previously adopted and followed by this Commission, under which method the rates are fixed on a 'state-wide' basis, taking into consideration the over-all costs of all types of service offered by the utility and equitably balancing the interests of the various subscribers with the requirements of the utility. Under this method, which the Commission feels should not be departed from in this instance, the individual rate of any particular type of service is not to be predicated 'solely upon the net cost of performing that service'.
>
> "3. To adopt the Government's segmented cost of service theory with respect to making a rate for this single individual type of service as suggested in the Government's response filed on May 1, 1961, would be to single out that particular type of service and treat it in a different manner from other types of service furnished by the utility. The Commission is of the opinion that the public interest requires no such special treatment for the new and optional service under consideration in this case."

Although the decision of the Tennessee Public Service Commission should have disposed of the issue, the Government tried a second time to advance its same cost theory of rate-making before that Commission when it sought to attack the rates for Centrex offered by the Southern Bell Telephone and Telegraph Company. That complaint too ipso facto was based on the same cost theory underlying the complaint which GSA has filed here. And again, the Tennessee Commission dismissed the Government's complaint on the pleadings, stating (In Re Southern Bell Telephone and Telegraph Company, Docket No. U-4531, April 17, 1963, a copy of which order is attached as Appendix B):

> "2. That this Commission has, in the past, fixed rates on a 'state-wide' basis, taking into consideration the overall cost of all types of service offered by a utility and equitably balancing the interest of the various subscribers with the requirements of the utility. Its policy in this respect was set out in its order of May 23, 1961 in Docket U-4398. Nothing presented herein provides any reason to abandon or alter that policy in this case.
>
> "3. That the protestants admit that there will be costs to the utility in providing this optional service. The protestant's allegation that there will be tremendous savings to the utility from the use of centrex service by subscribers is not substantiated by the evidence filed by protestants. That evidence consists primarily of opinions of protestant's employees who state their opinion of the nature and characteristics of the new service offering. They reach the conclusion based on certain very general assumptions that 'on an overall long range basis' respondent will reduce its expenses and capital investment in an undetermined amount if there should be widespread installations of

> centrex service. One witness, however, stated, 'I do not intend to imply that cost will not be involved in rearranging both central office and PBX equipment in providing Centrex.' (Tr. p. 44) Thus, it appears that any savings in connection with centrex will come only after all necessary rearrangements have been completed.
>
> "4. That if eventually there are savings to the utility resulting from the introduction and use of this optional service then under this Commission's policy these savings should and would inure to the benefit of all subscribers and not just to the few from whose service the savings may allegedly have been partially realized. This again is consistent with the statewide value of service theory of rate-making to which this Commission subscribes.
>
> "5. That this Commission finds and concludes that the public interest does not require that the policies and practices of this Commission be abandoned and that a special rate based on cost be adopted for this new and optional service offered under the tariffs in question. The Commission further finds and concludes that the motion to dismiss is well taken and should be granted" (underscoring supplied).

### Centrex-CO service is not the PBX service which the Government formerly had.

Centrex-CO service is not the service which the Government had at Brooklyn and Idlewild before it elected to take Centrex.

On the contrary, the services which the Government formerly had consisted of manual PBX systems and Type 1 dial PBX systems. Under both systems, unlike under Centrex-CO service (as was pointed out earlier), all of the equipment necessary to connect stations within the system to each other or to the exchange and toll network is located on the subscriber's

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premises, occupying space which the subscriber must pay for in one manner or another, and operated on power which must be furnished by the subscriber.

Under the services which the Government formerly had, unlike under Centrex service, all incoming calls have to be manually completed by the subscriber's switchboard attendants, occupying space on the subscriber's premises and costing the subscriber for salaries, fringe benefits and supervision. In addition, for the manual PBX service, calls between stations within the PBX system had to be manually completed by the subscriber's switchboard attendants.

Under the services which the Government formerly had, unlike under Centrex service, the subscriber pays a separate monthly charge for each additional office trunk provided for his service. The subscriber specifies the number of trunks that he wishes, but must pay an extra charge for each additional trunk.

Under the services which the Government formerly had, unlike under Centrex service, the subscriber's operators must manually record details of toll calls if toll billing information is required for specific stations, departments or projects.*

Under the services which the Government formerly had, unlike under Centrex service, the subscriber pays mileage at a monthly rate for each line outside the building in which the subscriber's PBX is located but within the same building area and base rate area.

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* Arrangements for toll billing information are available to conventional PBX customers but at an additional charge. See P.S.C.-N.Y.-No. 800, §4, Par. E(19).

It is manifest, therefore, that the services which the Government had before it exercised its option to take Centrex-CO service were not Centrex service, nor did the rates for the Government's former services cover many of the features and advantages included in the rate for Centrex-CO service. In spite of this, GSA contends that the rates for Centrex-CO service should be no more than the rate for the old service.

### Centrex-CO service is not "conventional" PBX service so there is no reason why the rates should be the same.

GSA's argument that Centrex rates should be no higher than "conventional" PBX rates* ignores the differences in the service. Centrex-CO service obviously is not conventional PBX service. This being so, there is no reason why the rates should be the same.

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* It is not clear from the GSA petition what is meant by "conventional PBX service." As we have shown, there are a number of different types and varieties of PBX service, varying greatly in the amount of service rendered and in rates and charges. The Government itself, as shown above, had two different types of PBX systems, each different in service and in rates. Surely, the Government is not contending that all of the various PBX services should be offered at a single rate without regard to the nature of service rendered. If, on the other hand, the Government is asking that the rate for its Centrex-CO service should be based upon the rate for the particular service it formerly had, it quite clearly would be asking for a rate tailored to its individual needs. This, the Commission has consistently refused to do. As stated by Commissioner Eddy in Case No. 16548, February 17, 1958, 22 PUR 3d 389, at p. 392, "An effort to introduce differing rates would cause complexities in the rate-making process fearful to contemplate. Rates are not tailored to the individual customer and should not be. They are designed - and properly so as the Appellate Division has held - to treat equally within each class varying groups of customers."

To give the Centrex-CO customer the greater and more valuable Centrex-CO service at conventional PBX rates would create a rate discrimination in favor of the Centrex-CO customer and against the conventional PBX customer. This would seem to be a violation of the discrimination prohibitions of Section 91 of the Public Service Law, as well as unrealistic in fact. For if the rates were the same, conventional PBX customers would have every incentive to discontinue conventional service and immediately switch to Centrex-CO service. This could result in a precipitous and premature retirement of modern PBX plant which is now installed and in operation and which gives service that meets its users' purposes and will continue to do so for many years to come. The cost of any such sudden and premature retirement, of course, would have to be borne by the general body of telephone users.

An appreciation of this fact leads almost inescapably to a rate relationship between Centrex-CO service and the existing PBX services which would continue the existing services at present rates for customers whose needs can be satisfactorily met by them,* and, at the same time, make available on an optional basis and at a higher rate the greater and more valuable Centrex-CO service.

Because of a rate relationship such as this it was feasible for the Telephone Company to offer Centrex-CO service immediately to those customers having a need for the service sufficient to justify the higher rate, without burdening in any way the general body of telephone users. Since the service is optional, those customers who do not feel that Centrex-CO service is worth the difference in rates continue to have available the conventional PBX services. Other customers will immediately benefit from Centrex-CO service and will wish to convert to it as soon as possible. The result will be a gradual, more-paced conversion from the old services to Centrex-CO service, more orderly and economical than would otherwise be the case. The overall result quite clearly will be beneficial to all.

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* Types 3 and 4 dial PBX service will be continued only for existing installations, as noted earlier.

> The demand for Centrex service has been exceptional, strongly indicating that customers in general find the rates for Centrex service to be fair and in line with its value.

Since Centrex is an optional service, the reasonableness of its rates can be tested quite effectively by its reception among customers generally. Customer reception has been exceptional, far exceeding original estimates.

Customer reception here assumes even greater significance in view of the fact that Centrex is primarily for the larger communications customers. The usual Centrex customer, such as GSA, national banks, brokerage houses, air lines, etc., is an informed and sophisticated user of communications facilities and services. These customers are accustomed to weighing one communications service against another, picking and choosing

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among alternative systems and arrangements. They do not subscribe to service unless they feel that the value to them in having the service is worth at least as much as the additional charge. Any other course would be business folly.

In the face of this, it is interesting to note that since the initial offering of Centrex in October, 1961, over 81,000 Centrex lines have been placed in service. Over 63,000 additional lines are now on order.*

This response could hardly be expected for an optional service if the price were not reasonable and in line with its value.

The reason for this response must be that the new features reduce space and operator requirements to such an extent that the overall cost of telephone service to Centrex users is less than conventional dial PBX service or that the added net cost is accompanied by at least a comparable increase in value. For if Centrex rates were not in line with its value to the customer, this offering would not have had the successful response that it has had.

GSA is thoroughly knowledgeable and sophisticated in the field of communications services, the Government being the largest user of such services. It had full knowledge of all aspects of both the conventional PBX services and Centrex, the Centrex offering having been in effect for over a year at the time the Government's new service was cut in. In view of this, GSA's own actions in electing to take the optional

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* The figures given in each instance represent the total numbers of Centrex-CO and Centrex-CU lines.

Centrex-CO service is an impressive indication that the rates for Centrex-CO service are reasonable and in line with the greater value of this service.* On the other hand, if GSA thought that Centrex was overpriced, for some reason which is not apparent, one wonders why it waited until one day before the cutover of its Centrex service to complain.

However, if GSA for any reason, including any changes in its circumstances since it originally exercised its option to take Centrex-CO service, now feels that the Centrex rates are higher than the service is worth to GSA, GSA is free to revert to the service it formerly had without paying any termination charge.

### The specific claims in GSA's complaint are based on a misconception of the method of telephone rate-making in New York and are not relevant to the question of the reasonableness of Centrex rates.

GSA makes a number of other claims in its complaint. We do not think that these other claims have any bearing on the appropriateness of the Centrex rates and charges. Accordingly, we shall deal with these claims only briefly.

(1) Claim that the annual recurring charge for Brooklyn alone is approximately $60,000 over the charges for conventional PBX service. This claim is of course irrelevant. The rates for Centrex service, as we have pointed out, are in

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* Further confirmation of this would seem to be indicated by the fact that GSA, subsequent to the filing of its complaint here and to the cutover of its Centrex service at Brooklyn and Idlewild Airport, has ordered Centrex-CO service at two additional locations, Albany and Syracuse.

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Exhibit 48

accordance with our filed tariff. Presumably GSA would not have taken the Centrex service in Brooklyn without considering the advantages and benefits to be derived from Centrex service. From the general information available to us, we are satisfied that the savings accruing to the GSA are greater than the increase in telephone charges. GSA does have savings by being relieved of the expense of furnishing the power and the space for the switching equipment, as well as the savings from the reduction in the number of attendants needed to handle the PBX service.

(2) Claim that there are "Western Electric current costs for installed 'package CENTREX'". There are no such costs. Centrex service generally is provided through a number 5 crossbar central office equipped with Centrex features and utilizes the same frames, cabling, originating registers, markers, test equipment, etc., used for the other services of the Telephone Company. There is no segregation or division between the portion of the equipment used for Centrex and the portion used for service in general.

(3) Claim that under the Centrex tariff no specific service standard, service guarantee or quality assurance is provided for. This point obviously arises from a misunderstanding on the part of GSA as to the manner in which Centrex-CO service is provided. There are no trunks provided with Centrex-CO service in the sense that the term is used with other PBX services. On the contrary, each primary station

under Centrex-CO service is wired directly into the central office and has the same access to the central office switching equipment as any main individual line or any PBX trunk. Therefore, with Centrex-CO service each primary station has its own "trunk" to the central office in the sense that the term is used in connection with other PBX services. The result, of course, is all to the benefit of the Centrex customer, contrary to what GSA seems to think.

(4) Various claims involving the furnishing of a breakdown of investment expenses and costs and savings relating to the Centrex service. The Telephone Company denies the relevancy of the GSA conclusion that increased charges for Centrex are not warranted by additional investment or expense since, as previously stated herein, telephone rates are not established in this manner in the State of New York. The Telephone Company, of course, has had to make additional investments and incur additional cost in order to provide Centrex service. If there will be any savings to the Telephone Company through improved circuit utilization, as claimed by GSA, such savings should inure to the benefit of all subscribers, and not just to the Centrex subscribers, as is the case with DDD, AMA, and other steps taken by the Company to improve the efficiency and lower the cost of its service.

(5) Claim that "adequate cost or other justification for CENTREX rates and charges has not been furnished by the Company." On the contrary, the Telephone Company filed with the Commission appropriate amendments to its tariff

offering Centrex service and setting forth the proposed rates, charges and regulations. There were no formal objections to the tariff as filed and, after the Telephone Company had presented to the Commission staff pertinent data and information concerning the service and its rates, the Commission allowed it to go into effect. The course followed by the Telephone Company in making the Centrex offering and by the Commission in allowing the tariff to become effective was, of course, fully in accord with Section 92 of the Public Service Law and the procedures of the Commission customarily followed in the case of new service offerings.

## CONCLUSION

We have shown that the rates for Centrex-CO service bear an appropriate relationship to the rates for other PBX services. We have also shown that there is no reason why "conventional" PBX rates should apply to the optional Centrex-CO service.

Moreover, to fix Centrex rates in the manner suggested by GSA would require a departure from the established method of rate-making in this State and result in a fragmentizing of the rate-making process. The administrative nightmare which could follow might be even worse than that which caused the Commission to adopt its present method of rate-making in the first place.

Exhibit 48

The Centrex-CO rates are reasonable and just and the GSA complaint should be dismissed.

Respectfully submitted,
NEW YORK TELEPHONE COMPANY
By
Associate General Counsel

April 29, 1963.

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Exhibit 48

## CERTIFICATE OF SERVICE

I, ERIC B. NELSON, Associate General Counsel, New York Telephone Company, hereby certify that a copy of the foregoing Answering Statement was sent on April 29, 1963, by first class United States mail, postage prepaid, to the following:

J. E. Moody, Esq.
General Counsel
General Services Administration
18th and F Streets, N.W.
Washington 25, D.C.

Eric B. Nelson
Associate General Counsel

April 29, 1963.

E790
Exhibit 48

# APPENDICES

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Exhibit 48

**APPENDIX A**

## BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION

Nashville, Tennessee
May 23, 1961

IN RE: PROTEST AND EXCEPTION TO
SOUTHERN BELL TELEPHONE AND
TELEGRAPH COMPANY'S GENERAL
EXCHANGE TARIFF, SECTION 7
ORIGINAL SHEETS 18 THROUGH 20.

DOCKET NO. U-4398

## ORDER

This matter is before the Tennessee Public Service Commission upon the petition of the Secretary of the Army, acting in behalf of the Department of Defense and other executive agencies of the United States Government, filed on January 30, 1961, seeking an order requiring Southern Bell to furnish to petitioner documents and data specifically described in Appendix A to the petition.

After due notice a hearing was held on April 26, 1961, at which time the following appearances were entered:

APPEARANCES:

Curtis L. Wagner, Jr., Attorney, Office of the Judge Advocate General, Department of the Army, Room 3E-337 Pentagon Building, Washington 25, D.C., appearing for the petitioner.

George Polatty, Attorney, Office of the Judge Advocate General, Department of the Army, Third Army, Atlanta Georgia.

Exhibit 48

Major Jack C. Dixon, AFCJA-15, Attorney, Office of the Judge Advocate General, Headquarters, U.S. Air Force, Washington 25, D.C.

J. O. Bass, Attorney, American Trust Building, Nashville, Tennessee, appearing for Southern Bell Telephone and Telegraph Company.

T. G. Pappas, Attorney, Green Hills Office Building, Nashville, Tennessee, appearing for Southern Bell Telephone and Telegraph Company.

George Shuff, General Counsel, Stanley J. White, Tax Consultant, and James L. Talbot, Director Utilities Division, appearing for the Commission.

Prior to the hearing Southern Bell through its attorney filed a motion to dismiss the Government's petition and also a response to the petition. The Government through its attorney applied for leave to reply to said motion and response within five days which, without objection, was granted, and the Government's reply to said motion and response was duly received and filed on May 1, 1961.

After considering the entire record and oral argument of counsel the Commission finds and concludes:

1. The Government's petition states on its face that "it is the position of this petitioner that the rates and charges applicable, under the tariff referred to above, to direct dialing to and from PBX extensions should be based solely upon the net cost of performing that service, including a reasonable return on the investment in plant facilities necessary to render the service ..."

2. The theory of rate-making thus urged upon the Commission by the petitioner is incompatible with the method of

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Exhibit 48

rate-making for telephone service which has been previously adopted and followed by this Commission, under which method the rates are fixed on a "state-wide" basis, taking into consideration the over-all costs of all types of service offered by the utility and equitably balancing the interests of the various subscribers with the requirements of the utility. Under this method, which the Commission feels should not be departed from in this instance, the individual rate of any particular type of service is not to be predicated "solely upon the net cost of performing that service".

3. To adopt the Government's segmented cost of service theory with respect to making a rate for this single individual type of service as suggested in the Government's response filed on May 1, 1961, would be to single out that particular type of service and treat it in a different manner from other types of service furnished by the utility. The Commission is of the opinion that the public interest requires no such special treatment for the new and optional service under consideration in this case.

4. Were the Commission to adopt the Government's position it would invite protests from users of every type of service and even from individual subscribers who might make the contention that the cost of rendering their service differs from the cost of rendering service to some other subscriber or service of some other type.

5. The Government does not deny that no in-and-out dial PBX service has been furnished by Southern Bell in

Exhibit 48

Tennessee and that therefore, no segmented cost studies and similar data are available for Tennessee. Nor does the Government deny that such data necessarily varies at different installations and at different times. The Commission, therefore, finds that the data requested, if developed in some other states would not be sufficiently relevant to warrant the expense and labor involved in compiling it. The primary problem in fixing rates for an individual service is to fit that rate into a proper relationship with the over-all rate structure and therefore the data requested, if available, would not in this instance be necessary as a prerequisite to a determination by the Commission of the reasonableness of the rate in question.

IT IS THEREFORE ORDERED:

1. That the motion to dismiss filed herein by Southern Bell Telephone and Telegraph Company on April 26, 1961, be, and the same is hereby, sustained and the petition filed by the Government herein on January 30, 1961, be, and the same is hereby, denied.

2. That this matter shall remain open for such further and future action by the Commission as may be deemed necessary and proper.

JOHN C. HAMMER
CHAIRMAN

CAYCE L. PENTECOST
COMMISSIONER

HAMMOND FOWLER
COMMISSIONER

ATTEST:

HAUTIE W. SHUTE
EXECUTIVE SECRETARY

(SEAL)

E795
Exhibit 48

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION

Nashville, Tennessee
September 13, 1961

IN RE: PROTEST AND EXCEPTION TO SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY'S GENERAL EXCHANGE TARIFF, SECTION 7, ORIGINAL SHEETS 18 THROUGH 20

DOCKET U-4398

## O R D E R

This matter is before the Tennessee Public Service Commission upon the petition of the Secretary of the Army acting in behalf of the Department of Defense and other executive agencies, originally filed on May 31, 1960, and other petitions, pleadings and motions subsequently filed herein, protesting the respondents General Exchange Tariff, Section 7, original sheets 18 through 20 effective June 2, 1960.

It is clear that the Government's protest herein rests on its stated positions that the rates and charges applicable under the tariff referred to above should be based "solely upon the net cost of performing that service, including a reasonable rate on the investment in plant facilities necessary to render these services."

The Commission considered and rejected that position,

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Exhibit 48

after hearing, in its order of May 23, 1961. It thus appears and the Commission finds and concludes that the protest herein does not present any proper ground for complaint. The proceedings should therefore be dismissed, and it is accordingly ordered that this case be and the same is hereby dismissed.

JOHN C. HAMMER
Chairman

HAMMOND FOWLER
Commissioner

CAYCE L. PENTECOST
Commissioner

ATTEST:

/s/ HAUTIE W. SHUTE
EXECUTIVE SECRETARY

E797
Exhibit 48

**APPENDIX B**

BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION

Nashville, Tennessee
April 17, 1963

IN RE: SOUTHERN BELL TELEPHONE AND
TELEGRAPH COMPANY

PROTEST AND REQUEST FOR
SUSPENSION OF GENERAL EXCHANGE
TARIFF, SECTION 51, ORIGINAL
SHEETS 1 THROUGH 12, SECTION 6,
SIXTH REVISED SHEET 4, AND
SECOND REVISED SHEET 4, AND
SECTION 21, SEVENTH REVISED
SHEET 3, FILED BY SECRETARY OF
THE ARMY, ET AL.

DOCKET NO. U-4531

## ORDER

This matter is before the Tennessee Public Service Commission upon the petition of protest of the Secretary of the Army acting in behalf of the Department of Defense and other executive agencies of the United States Government heretofore filed in this cause and the motion to dismiss filed by Southern Bell Telephone and Telegraph Company, and the entire record in this cause.

After due notice this matter was heard on February 28, 1963 at which time the following appearances were entered:

APPEARANCES:

Curtis L. Wagner, Jr., Attorney, Chief, Commerce Branch, Litigation Division, Office of the Judge Advocate General, Department of the Army, Washington 25, D.C., appearing for the petitioner-protestant.

Exhibit 48

Major Jack C. Dixon, Attorney, United States Air Force, Tax and Litigation Division, Office of the J. A. G., Headquarters USAF, Washington 25, D.C., appearing for petitioner-protestant.

T. G. Pappas, Attorney, Green Hills Office Building, Nashville, Tennessee, appearing for respondent, Southern Bell Telephone and Telegraph Company.

Drury B. Thompson, Attorney, 1245 Hurt Building, Atlanta, Georgia, appearing for respondent, Southern Bell Telephone and Telegraph Company.

George Shuff, General Counsel, Eugene W. Ward, Assistant General Counsel, and Stanley J. White, Tax Consultant, for the Commission.

After considering the entire record and oral argument of counsel, the Commission finds and concludes:

1. That the protestant's petition advocates, in effect, the same method for fixing of rates for this service as advanced by the protestants in Docket U-4398.

2. That this Commission has, in the past, fixed rates on a "state-wide" basis, taking into consideration the overall cost of all types of service offered by a utility and equitably balancing the interest of the various subscribers with the requirements of the utility. Its policy in this respect was set out in its order of May 23, 1961 in Docket U-4398. Nothing presented herein provides any reason to abandon or alter that policy in this case.

3. That the protestants admit that there will be costs to the utility in providing this optional service. The protestant's allegation that there will be tremendous savings to the utility from the use of centrex service by subscribers is

E799
Exhibit 48

not substantiated by the evidence filed by protestants. That evidence consists primarily of opinions of protestant's employees who state their opinion of the nature and characteristics of the new service offering. They reach the conclusion based on certain very general assumptions that "on an overall long range basis" respondent will reduce its expenses and capital investment in an undetermined amount if there should be widespread installations of centrex service. One witness, however, stated, "I do not intend to imply that cost will not be involved in rearranging both central office and PBX equipment in providing Centrex." (Tr. p. 44) Thus, it appears that any savings in connection with centrex will come only after all necessary rearrangements have been completed.

4. That if eventually there are savings to the utility resulting from the introduction and use of this optional service then under this Commission's policy these savings should and would inure to the benefit of all subscribers and not just to the few from whose service the savings may allegedly have been partially realized. This again is consistent with the state-wide value of service theory of rate-making to which this Commission subscribes.

5. That this Commission finds and concludes that the public interest does not require that the policies and practices of this Commission be abandoned and that a special rate based on cost be adopted for this new and optional service offered

E800
Exhibit 48

under the tariffs in question. The Commission further finds and concludes that the motion to dismiss is well taken and should be granted.

IT IS THEREFORE ORDERED:

1. That the motion to dismiss filed herein by Southern Bell Telephone and Telegraph Company on February 28, 1963, be, and the same is hereby, granted.

2. That the petition filed by the Government in protest to the tariffs in question be, and the same is hereby, dismissed.

CAYCE L. PENTECOST
CHAIRMAN

COMMISSIONER

JOHN C. HAMMER
COMMISSIONER

ATTEST:

/s/ HAUTIE W. SHUTE
EXECUTIVE SECRETARY
(SEAL)

E801
EXHIBIT 49A
June 26, 1963 New York Public Service
Commission decision

PLAINTIFF
EXHIBIT
ST. COURT
OF N. Y.
49A

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

ADOPTED JUN 26 1963

CASE 22626 - Complaint of General Services Administration with respect to certain tariff provisions filed by New York Telephone Company

* * *

THE COMMISSION

On February 15, 1963, the General Services Administration (GSA) filed with this Commission a complaint wherein it requested the institution of a proceeding to investigate the reasonableness of tariffs filed by the New York Telephone Company relating to Centrex service*. Pursuant to an order of this Commission adopted herein on April 9, 1963, the complaint was served on New York Telephone Company with a direction to file an answer. An answer was filed by the Company on April 30, 1963 and on May 23, 1963, a reply thereto was received from GSA.

The tariffs for the service in question were originally filed on October [illegible], 1961, and have therefore been in effect for more than a year and a half.

On the same day as the filing of the instant complaint, the Company completed, at GSA's request, a change from PBX to Centrex service at the customer's installations in Brooklyn and Idlewild Airport. This was a voluntary change in service made with GSA's actual and/or constructive knowledge of the applicable tariff provisions now complained of. Moreover, complainant still has the option of returning to its former PBX-type service.

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*P.S.C. No. 900, Section 4, pages 21-26

Case 22626

E802
Exhibit 49A

We view GSA's petition not only as a complaint against the tariffs for Centrex service but as extending also to the filed rates for other automated types of PBX service (e.g. Type 4 dial) which have been in effect for more than three years.

Complainant does not set forth any specific acts done or omitted to be done by the Company alleged to be in violation of the terms or conditions of its franchise or charter or of any order of this Commission (Public Service Law, Section 96). Accordingly, the complaint is, of necessity, addressed to the discretion of this body to review rates, some of which have been in operation for more than three years.

On the basis of the submissions filed herein, the Commission finds that there has not been made to appear sufficient reason for the institution of a proceeding to investigate the tariffs in question.

Accordingly, the complaint will be dismissed. An appropriate order to that effect will be entered.

E803
EXHIBIT 49B
June 26, 1963 New York Public Service
Commission order

# STATE OF NEW YORK
# PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
New York on June 26, 1963.

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
49B

COMMISSIONERS PRESENT:

James A. Lundy, Chairman
Francis T. Mylott
Ralph A. Lehr
Frank J. Mc Mullen
Theodore F. Bowes
Edward P. Larkin

CASE 22626 - Complaint of General Services Administration with respect to certain tariff provisions filed by New York Telephone Company.

* * *

General Services Administration, having filed a complaint dated February 14, 1963, with respect to the rates and charges filed by New York Telephone Company for Centrex service (P.S.C. No. 800, Section 4, pages 21-26), and the Commission having determined that said complaint should be dismissed, it is

ORDERED that the complaint dated February 14, 1963, filed by General Services Administration, be and it hereby is dismissed.

By the Commission,

(SIGNED)

SAMUEL R. MADISON
Secretary

(SEAL)

NA:MM

USA 33a-475
(ED. 4-23-71)

PLAINTIFF

**EXHIBIT**
U. S. DIST. COURT
S. D. OF N. Y.

49C

FPI-MI—~~8-24-70~~-50M-4417

E804
EXHIBIT 49C
September 10, 1963 New York Public
Service Commission order

## STATE OF NEW YORK
## PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on September 10, 1963.

COMMISSIONERS PRESENT:

James A. Lundy, Chairman
Francis T. Mylott
Ralph A. Lehr
Frank J. McMullen
Theodore F. Bowes

CASE 22626 - Complaint of General Services Administration with respect to certain tariff provisions filed by New York Telephone Company. PETITION OF G.S.A. FOR REHEARING AND RECONSIDERATION.

* * * * *

A petition having been filed on July 29, 1963 by General Services Administration seeking a rehearing and reconsideration of the order and determination made herein on June 26, 1963 dismissing a complaint dated February 14, 1963 respecting certain tariff provisions filed by New York Telephone Company for Centrex Service (P.S.C. No. 800, Section 4, pages 21-26), and it having been determined that sufficient grounds have not been made to appear for the granting of said petition for rehearing and reconsideration, it is

ORDERED that the aforesaid petition for rehearing and reconsideration be and the same hereby is denied.

By the Commission,

(SEAL) (SIGNED) SAMUEL R. MADISON
Secretary

E805
EXHIBIT 51B
July 17, 1967 memorandum decision, Supreme
Court of the State of New York,
Albany County

**STATE OF NEW YORK**
**SUPREME COURT** **ALBANY COUNTY**

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**IN THE MATTER OF THE PETITION OF THE UNITED STATES OF AMERICA, ACTING THROUGH THE ADMINISTRATOR OF GENERAL SERVICES ADMINISTRATION, FOR AN ORDER ANNULING ORDERS MADE BY THE STATE OF NEW YORK PUBLIC SERVICE COMMISSION, DATED, JUNE 26, 1963 AND SEPTEMBER 10, 1963 AND DIRECTING THE REMAND OF THIS CASE TO THE STATE OF NEW YORK PUBLIC SERVICE COMMISSION FOR A FURTHER HEARING IN ACCORDANCE WITH RULE 4 OF THE RULES OF PROCEDURE OF THE PUBLIC SERVICE COMMISSION AND PUBLIC SERVICE LAW 97,**

**PETITIONER,**

**-against-**

**JAMES LUNDY, CHAIRMAN, FRANCIS T. MYLOTT, RALPH A. LEHR, FRANK J. McMULLEN, THEODORE F. BOWES, EDWARD P. LARKIN, CONSTITUTING THE STATE OF NEW YORK PUBLIC SERVICE COMMISSION and the NEW YORK TELEPHONE COMPANY,**

**RESPONDENTS.**

**MEMORANDUM DECISION**

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**At Albany Special Term, March 30, 1964; No. 17**

**APPEARANCES:**

| | |
|---|---|
| **For application:** | Justin J. Mahoney, Esq., United States Attorney, Northern District of New York, Attorney for petitioner, Katharine Kilby, Esq., of counsel. |
| **In opposition:** | Kent H. Brown, Esq., Attorney for respondent, Public Service Commission, George H. Kenney and Charles R. Gibson, Esqs., of counsel. |
| | G. Wallace Bates, Eric B. Nelson and James R. Billingsley, Esqs., Attorneys for respondent, New York Telephone Company. |

USA 53a-475
(ED 4-23-71)
PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
51B
FPI-MI—9-24-78-50M-417

E806
Exhibit 51B

HUNT, J.

This is an application pursuant to CPLR Article 78 to review Commission orders (1) dismissing the petitioner's rate complaint respecting the telephone service known as "Centrex Service" and (2) denying the application for a re-hearing on the complaint.

The Commission's answer makes admissions concerning the receipt of the complaint and sets up the defense that the petition does not state facts sufficient to constitute a cause of action and that such facts as are alleged do not entitle the petitioner to relief.

The Telephone Company's answer alleges that its notice of tariff provisions for Centrex Service was filed on Octob[illegible], and after due publication of the notice, the Commission allowe[illegible] new tariff to go into effect on December 1, 1961, and it sets up the defense of insufficiency. The tariff went into effect without a hearing. There is nothing in the submission to show that the Commission has any information concerning the fairness and reasonableness of the new rate.

It appears that the new telephone service was developed for large users of telephone service and was in addition to and not in place of the service then in use (and known as the PBX) but at a higher charge. It is said (in the nature of a defense) that the new service is optional because the user could continue with the existing service or subscribe to the new. But, whether or not optional, the new service must comply with the statutory requirement that charges must be just and reasonable (Public Service Law, section 91).

The petitioner contends that upon taking the new service on

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Exhibit 51B

February 15, 1963, the charges therefor increased by about $60,000 (estimated) annually from about $190,000 at the General Services Administration in Brooklyn and that its combined increased charges for the new service at this location and elsewhere have run into large sums. As stated above, the new tariff went into effect without opposition and without inquiry respecting the rate for the service.

The petitioner, asserting that it acted pursuant to section 97 and Commission's rule 4, under date of February 14, 1963, challenged the rate upon the grounds that it is unjust and unreasonable, in excess of the conventional PBX service and without justification, and, called upon the Commission to conduct a rate proceeding (id. sec. 97).

The Commission, treating the complaint as one filed under section 96, required the Telephone Company to file an answer to the petitioner's complaint (Commission's rule 3). The Company's answer opposes an inquiry into its rates and sets forth the theory underlying the new tariff and anticipates that the petitioner proposes a new and different rate making theory. It would appear that the basis for the Company's anticipation is that part of the complaint which alleged that the Company has not been required to furnish to the Commission "adequate cost or other justification" (complaint, para. 4) for the new service and in justification of the higher charge over the "costs of conventional PBX equipment and services" (complaint, para. 4). Rule 4 of the Commission's rules, however, explicitly calls for such evidence when a rate proceeding is initiated. This, presumably, is the source for the allegation in the complaint. It is not taken as the exposition of a new theory. The petitioner responded to the Company's answer and took issue with the Company's theory of rate making as applied to the rate for the new service

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Exhibit 51B

and contended that the Commission should apply the concept of rate making as"defined by the Commission and Court decisions..." (petitioner's response, p. 2).

By order of June 26, 1963, the Commission dismissed the complaint, treating it, properly, as one filed under section 96, upon a memorandum which referred to the petitioner's "voluntary change in service with GSA's actual and/or constructive knowledge of the applicable tariff provisions...complainant still has the option of returning to its former PBX-type service." It was pointed out that the complainant did not "set forth any specific acts done or omitted to be done by the Company alleged to be in violation of the terms or conditions of its franchise or charter or of any order of this Commission (Public Service Law, sec. 96). Accordingly, the complaint is, of necessity, addressed to the discretion of this body to review rates, some of which have been in operation for more than three years." An application for a re-hearing was denied.

The petitioner does not contend that there was a violation respecting the Company's charter or franchise or an order of the Commission. It does complain that the rate for the service is unjust and unreasonable. It is true that the petitioner did not furnish technical data and information to support its complaint but it did show that its charges for the service had increased substantially over the charges in effect for the prior system in use and contended, in view of the higher rate, that the Commission ought to know whether the new charge was just and reasonable. The petitioner, while not a municipal corporation with the rights set forth in section 108, nevertheless, would qualify as a large consumer in a matter affecting it. The New York City Housing Authority, a public corporation and a large consumer, was recognized as a petitioner and proper party in Matter of City of New York et al., v. Public Service Commission et al., (17 A D 2d 581, motion for leave to appeal denied, 13 N Y 2d 594). In that case it was said (17 A D 2d 583), "The right of petitioners to challenge the decisions of the commission in this proceeding is not open to doubt. Nothing said or decided in Matter of Campo Corp. v. Feinberg (279 App. Div. 302, affd. 303 N. Y. 995) suggests any infirmity in the right of a consumer whose utility bills are increased by a ruling of the commission to review in an Article 78 procedure the effect on him of the higher rates." This holding by the Court was upon the disputed issue of the right of the public corporation and, also, of a private corporation, to participate as petitioners in a rate proceeding. The Commission had contended that those petitioners were without standing (see, Commission's brief, p. 82); so, too, the argument of the Consolidated Edison Company (see, Company's brief, pp. 13-14, 94-95). The petitioners contended to the contrary. The petitioner herein appeared and participated in that case as one of several large customers and "could obviously have afforded the expense of an appeal, (but) have all accepted the Commission's determination" (see, Company's brief therein, pp. 5-6). The interest of the petitioner herein is of importance and its complaint should not be dismissed summarily. A selfish motive is not ascribed it and, obviously, could not.

It could be argued by the respondents in the present case that what was said in Matter of City of New York is not applicable herein because this is not a rate proceeding and the Commission has made no ruling as to the reasonableness of the rate. Such an argument, it would seem, is simply begging the question for whether or not the Commission acted by order after a rate hearing makes slight difference for all practical purposes - the rate is in effect and the Commission, after complaint, has permitted the Company to continue to charge the higher rate alleged to be unjust and unreasonable. Treating the complaint as one falling within section 96 (3) the Commission ought to comply with its rule 3 (2) and investigate. The rule provides that, "When a complaint is filed, it will be investigated by the Commission and may be served upon the utility complained against with direction to satisfy the matter complained of or to file its answer thereto." The Commission's memorandum of decision and its order were made solely "On the basis of the submissions filed herein..." (see, memorandum adopted June 26, 1963) and without investigation. The Commission ought to investigate in accordance with its own rule. Surely a large consumer which is a governmental agency is entitled to this, as a minimum. It should not be dealt with summarily on the basis of a utility's pro forma answer. The application for an order to compel the institution of a rate proceeding pursuant to section 97 is denied without prejudice and the matter is remanded to the Commission for the purpose of complying with rule 3 and making the investigation and determination as therein provided (cf. Matter of United States Tube & Foundry Co. Inc. v. Feinberg, 7 A D 2d 591, 596, and In Re Williamson etc., v. State Liquor Authority, Court of Appeals decision of July 10, 1964). Submit order. All papers to attorney for petitioner to prepare order.

Dated: Albany, New York
July 17, 1964

s/ RUSSELL G. HUNT
JUSTICE SUPREME COURT

EXHIBIT 51C
August 24, 1964 order of the Supreme Court
of the State of New York, Albany County

At a Special Term of the
Supreme Court held in and
for the County of Albany at
the County Court House in the
City of Albany on the 30th
day of March 1964.

PRESENT: Honorable Russell G. Hunt, Justice  Index No. 1081-64

STATE OF NEW YORK
SUPREME COURT ---------- ALBANY COUNTY

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IN THE MATTER OF THE PETITION OF THE UNITED STATES OF AMERICA, ACTING THROUGH THE ADMINISTRATOR OF GENERAL SERVICES ADMINISTRATION, FOR AN ORDER ANNULING ORDERS MADE BY THE STATE OF NEW YORK PUBLIC SERVICE COMMISSION, DATED JUNE 26, 1963 AND SEPTEMBER 10, 1963 AND DIRECTING THE REMAND OF THIS CASE TO THE STATE OF NEW YORK PUBLIC SERVICE COMMISSION FOR A FURTHER HEARING IN ACCORDANCE WITH RULE 4 OF THE RULES OF PROCEDURE OF THE PUBLIC SERVICE COMMISSION AND PUBLIC SERVICE LAW 97,

PETITIONER,

USA 33a-475
(ED. 4-23-71)
PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
51C

-against-

JAMES LUNDY, CHAIRMAN, FRANCIS T. MYLOTT, RALPH A. LEHR, FRANK J. McMULLEN, THEODORE F. BOWES, EDWARD P. LARKIN, CONSTITUTING THE STATE OF NEW YORK PUBLIC SERVICE COMMISSION AND THE NEW YORK TELEPHONE COMPANY,

RESPONDENTS.  ORDER

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The petitioner, United States of America, having moved this Court pursuant to CPLR Article 78 to review orders of the State of New York Public Service Commission dismissing the petitioner's rate complaint respecting the telephone service known as "Centrex Service" and denying the application for a re-hearing on the complaint and said motion having duly come on to be heard,

NOW, on reading and filing the Petition for Investigation of the General Services Administration dated February 14, 1963, the Order of the Public Service Commission on April 9, 1963 directing the filing of an answer thereto by the New York Telephone Company, the answer of the New York Telephone Company dated April 29, 1963,

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Exhibit 51C

the Reply of the General Service Administration of May 21, 1963, the Order of the Public Service Commission of June 26, 1963, denying the petition, the petition for rehearing of the General Services Administration dated July 25, 1963, the statement in opposition to petition for rehearing of New York Telephone Company dated August 9, 1963 and the Order of the Public Service Commission on September 10, 1963 denying rehearing and upon the Petition of the United States of America, acting through the General Services Administration dated January 8, 1964, the Stipulation of the parties of February 20, 1964 adjourning the date of hearing and extending respondents time to answer, the answer of the respondent State of New York Public Service Commission of March 17, 1964 and of the respondent New York Telephone Company of the same date; and after hearing Justin J. Mahoney, United States Attorney, (Katherine Kilby, Esq., of counsel) in support of this motion and Kent H. Brown, Esq., Attorney for respondent, Public Service Commission, (George H. Kenney and Charles R. Gibson, Esqs., of counsel) and G. Wallace Bates, Eric B. Nelson and James R. Billingsley, Esqs., Attorneys for respondent, New York Telephone Company in opposition thereto and due deliberation having been had, it is hereby, upon the Memorandum-Decision dated July 17, 1964

ORDERED, that petitioner's application for an order to compel the institution of a rate proceeding pursuant to section 97 of the Public Service Law, be and the same is hereby denied without prejudice, and it is further

ORDERED, that the matter is remanded to the State of New York Public Service Commission for compliance with Rule 3 of said Commission in making the investigation and determination as therein provided.

DATED:

s Russell G Hunt
JUSTICE SUPREME COURT
8/14/64 Albany, NY

E813

EXHIBIT 52

November 4, 1964 New York Telephone letter
to New York Public Service Commission
with folder entitled "Centrex
Costs and Rates"

**NEW YORK TELEPHONE COMPANY**

LEGAL DEPARTMENT

G. WALLACE BATES
VICE PRESIDENT AND GENERAL COUNSEL
ERIC B. NELSON
ASSOCIATE GENERAL COUNSEL
HAROLD V. DIXON
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394-3400

PREPARED FOR THE
USE OF COUNSEL

November 4, 1964

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
52

Samuel R. Madison, Secretary
Public Service Commission
State of New York
55 Elk Street
Albany, New York 12225

Re: Case 22626 - Complaint of General Services Administration with respect to certain tariff provisions filed by New York Telephone Company

Dear Mr. Madison:

In accordance with the request made by the Commission in its letter of September 10, 1964, we enclose a folder containing detailed data to assist the Commission's staff in its re-evaluation of the reasonableness of the Centrex rates.

In furnishing the information requested, we wish to reaffirm that the Centrex rates were arrived at primarily through rate relationship considerations and not on the basis of the cost of this service alone. The Centrex rates, we believe, fit equitably into the existing PBX rate structure and fairly reflect the value of Centrex service relative to the value of the existing PBX services, as was fully developed in our Answering Statement filed with the Commission on April 30, 1963.

Very truly yours,

Eric B. Nelson

Encls.

E814
Exhibit 52

# CENTREX
# COSTS
# AND
# RATES

PREPARED FOR THE
USE OF COUNSEL

REVENUES DEPARTMENT
ROOM ~~[illegible]~~
1178

New York Telephone

E815
Exhibit 52

# INDEX

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5. Return on Centrex C.O. Message Rate Service.

6. Centrex C.O. and C. U. Rates.

Exhibit 52

## COMPARISON OF DIAL PBX
## TYPE 1 SERVICE & CENTREX SERVICES

| | Dial PBX Type 1 | Centrex CU | Centrex CO |
|---|---|---|---|
| Out Traffic | Dial "9" | Dial "9" | Dial "9" |
| In Traffic | Opr. Compl. | DID | DID |
| Intercommunication | Dial | Dial | Dial |
| Trunks | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Stations | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Cable Carrying Charge | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Mileage - Same Building Area | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Station Toll Billing | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Intercept (Cancelled Line) | Attendant | Machine or Attendant | Machine or Attendant |
| Termination Chg. (5 Yrs.) | Yes | No | No |
| Space for Eqpt. | Provided By Customer | Provided By Customer | Provided By Tel. Co. |
| Power | Provided By Customer | Provided By Customer | Provided By Tel. Co. |
| Spare | Cust. Chg. For Lines Equip. | Cust. Chg. Lines Working | Cust Chg. Lines Working |

E817
Exhibit 52

## REASONS FOR DIFFERENCES IN RATES BETWEEN CENTREX SERVICE AND CONVENTIONAL PBX SERVICE

Direct in-dialing to stations (reduction in customers' operator costs).

Station identification on outward toll traffic.

No separate charge for central office trunks.

Intercept - choice of machine or attendant.

No termination charge.

No separate mileage charges to primary stations at same or different locations but within the same building area and within the base rate area.

No separate mileage charge or terminal charge for tie lines between Centrex services of the same subscriber within the same building area.

Eliminates need for space on the customer's premises or extensive alterations to building to accommodate switching equipment (Centrex C.O.).

Power to operate dial switching equipment furnished by the Telephone Company (Centrex C.O.).

In most cases, permits faster maintenance and installation after the initial installation of Centrex C.O. in a building area.

E818
Exhibit 52

## RELATIONSHIP OF CENTREX RATES WITH CONVENTIONAL PBX RATES AND ASSOCIATED COSTS FOR SPACE, POWER AND OPERATORS' SALARIES

### 100 STATION SYSTEM - 90 WORKING

| Features | Dial PBX Type 1 | Centrex CU | Centrex CO |
|---|---|---|---|
| Dial PBX-System 100 DLE | $250 | | |
| EXT Line (90 @ $1.35) | 122 | | |
| Trunks 1- @ $9.00<br>21 @ $4.75 | 109 | 90 stations / 22 trunks = 4.09 sta/trunk | |
| Swbds. 1 pos. | 150 | | |
| Consoles 1 pos. | - | $175 | $175 |
| Sta. Ident. | 10 | - | - |
| Centrex Lines (90) | | 815ø | 890# |
| Total Mo. Rental | 641 | 990 | 1,065 |
| Space & Power | 60 | 60 | - |
| Operators' Salaries* | 667 | 334** | 334** |
| TOTAL | $1,368 | $1,384 | $1,399 |

ø Rate - First 100 at $8.15 (Minimum Charge)

# Rate - First 100 at $8.90 (Minimum Charge)

* (Assuming 1.5 operators per position)

** Assume 50% of operator's time is available for other duties

E819
Exhibit 52

## RELATIONSHIP OF CENTREX RATES WITH CONVENTIONAL PBX RATES AND ASSOCIATED COSTS FOR SPACE, POWER AND OPERATORS' SALARIES

### 500 STATION SYSTEM - 460 WORKING

| Features | Dial PBX Type 1 | Centrex CU | Centrex CO |
|---|---|---|---|
| Dial PBX-System<br>500 DLE | $1,000 | | |
| EXT Line<br>(460 @ $1.35) | 621 | 460 station / 76 trunk = 6.05 station/trunk | |
| Trunks 1 @ $9.00<br>75 @ $4.75 | 365 | | |
| Subds. 4 pos. | 600 | | |
| Consoles 2 pos. | - | $350 | $350 |
| Sta. Ident. | 50 | | |
| Centrex Lines (460) | - | 3,209 ¢ | 3,554 # |
| Total Mo. Rental | 2,636 | 3,559 | 3,904 |
| Space & Power | 300 | 300 | - |
| Operators' Salaries * | 2,668 | 1,334 | 1,334 |
| TOTAL | $5,604 | $5,193 | $5,238 |

¢ Rate - First 100 at $8.15, next 600 at $6.65, over 700 at $5.40 per primary station.

# Rate - First 100 at $8.90, next 600 at $7.40, over 700 at $6.15 per primary station.

* (Assuming 1.5 operators per position.)

E820
Exhibit 52

## RELATIONSHIP OF CENTREX RATES WITH CONVENTIONAL PBX RATES AND ASSOCIATED COSTS FOR SPACE, POWER AND OPERATORS' SALARIES

## 1000 STATION SYSTEM - 940 WORKING

| Features | Dial PBX Type 1 | Centrex CU | Centrex CO |
|---|---|---|---|
| Dial PBX-System 1000 DLE | $1,975 | | |
| EXT Line (940 at $1.35) | 1,269 | | |
| Trunks-1 at $9.00<br>116 at $4.75 | 651 | 940 stations / 117 trunk | = 8.03 stat/trunk |
| Swbds. 6 pos. | 900 | | |
| Consoles 3 pos. | - | $ 525 | $ 525 |
| Sta. Ident. | 100 | - | - |
| Centrex Lines (940) | | 6,101ø | 6,806# |
| Total Mo. Rental | 4,895 | 6,626 | 7,331 |
| Space & Power | 600 | 600 | |
| Operator's Salaries | 4,000* | 2,000 | 2,000 |
| TOTAL | $9,495 | $9,226 | $9,331 |

ø Rate - First 100 at $8.15, next 600 at $6.65, over 700 at $5.40 per primary station.

# Rate - First 100 at $8.90, next 600 at $7.40, over 700 at $6.15 per primary station.

* (Assuming 1.5 operators per position.)

E821
Exhibit 52

# RELATIONSHIP OF CENTREX RATES WITH CONVENTIONAL PBX RATES AND ASSOCIATED COSTS FOR SPACE, POWER AND OPERATORS' SALARIES

## 2000 STATION SYSTEM - 1920 WORKING

| Features | Dial PBX Type 1 | Centrex CU | Centrex CO |
|---|---|---|---|
| Dial PBX-System 2000 DLE | $3,975 | | |
| EXT Line (1920 @ $1.35) | 2,592 | $\frac{1920}{160}$ = 12 stat/trunk | |
| Trunks 1 @ $9.00<br>159 @ $4.75 | 764 | | |
| Subds. 12 pos. | 1,800 | | |
| Consoles 6 pos. | - | $1,050 | $1,050 |
| Sta. Ident. | 200 | - | - |
| Centrex Lines (1920) | - | 11,393 ¢ | 12,333 # |
| Total Mo. Rental | 9,331 | 12,443 | 13,883 |
| Space & Power | 1,200 | 1,200 | - |
| Operators' Salaries* | 8,000 | 4,000 | 4,000 |
| TOTAL | $18,531 | $17,643 | $17,883 |

¢ Rate - First 100 at $8.15, next 600 at $6.65, over 700 at $5.40 per primary station.

# Rate - First 100 at $8.90, next 600 at $7.40, over 700 at $6.15 per primary station.

* (Assuming 1.5 operators per position.)

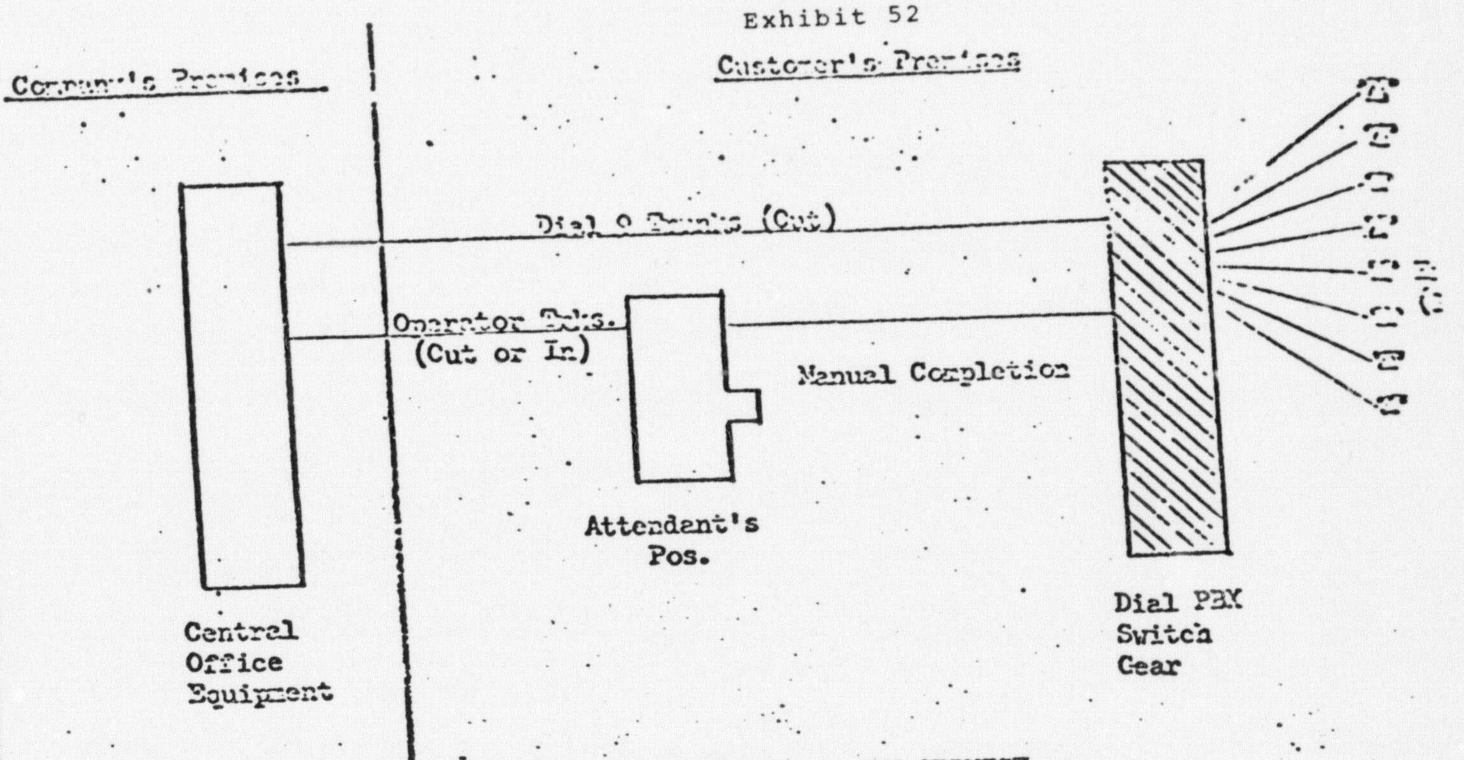
E822
Exhibit 52

The accompanying drawing shows the operational differences between Centrex C.O. and conventional PBX services.

Figure I shows the conventional PBX service with the outside plant for attendants or dial 9 trunks, the attendants position equipment and the dial switching gear. The dial switching gear is located on the customer's premises.

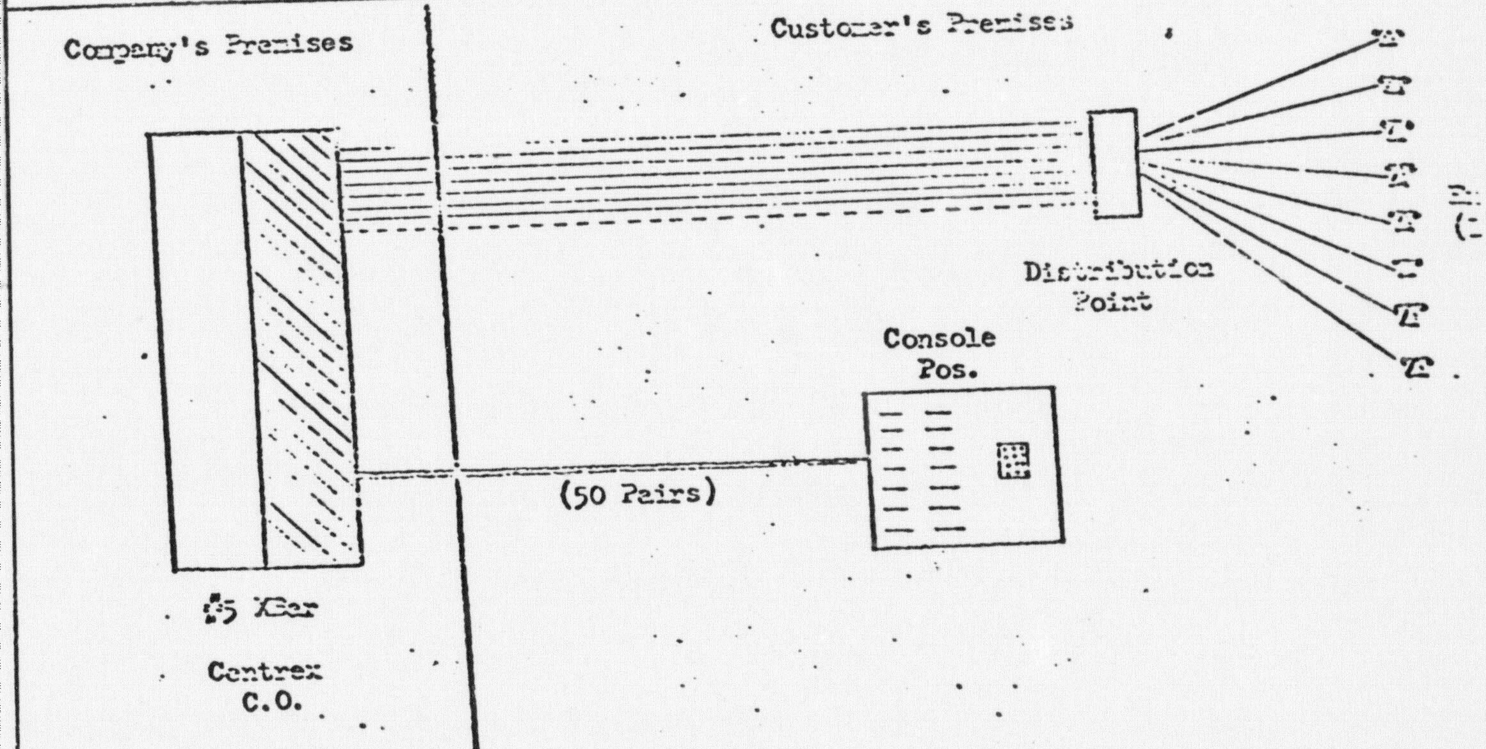
Figure II shows the arrangement for Centrex service with outside plant pairs for each extension station and the dial switching gear located in Telephone Company quarters. The cross-hatched portion of the Centrex C.O. office represents the switching gear normally provided on the customer's premises in a conventional dial PBX installation. The white section of the central office gear is common to both Centrex C.O. and conventional PBX service. The dotted line between the central office and the distribution point represents cable pair investment from Centrex outside plant investment common to Centrex C.O. and conventional PBX service.

E823
Exhibit 52


Company's Premises
Customer's Premises
Dial 0 Trunks (Out)
Operator Tcks. (Out or In)
Manual Completion
Attendant's Pos.
Central Office Equipment
Dial PBX Switch Gear

CONVENTIONAL PBX SERVICE

FIGURE I


Company's Premises
Customer's Premises
Distribution Point
Console Pos.
(50 Pairs)
#5 XBar
Centrex C.O.

CENTREX C.O. SERVICE

FIGURE II

E824

Exhibit 52

## GUIDE LINES FOR DETERMINATION OF CENTREX C.O. COSTS

The GSA's petition of February 14, 1963 made the point that the difference in cost of equipment for Centrex in comparison with conventional PBX equipment was not known to the Government. There are certain features which are common to both services. These common features should be deducted to determine the difference.

In developing the return of Centrex service, the investment, expenses and revenues of the major features which are common to both conventional PBX service and Centrex service have been deducted. The remainder is the investment, expenses and revenues attributable to Centrex service.

### PBX Station

The PBX station investment and associated expenses are common to both conventional PBX service and Centrex service. Therefore, these items have not been included in the Centrex investment and expense and revenue [illegible] per station per month has been subtracted from the [illegible]ge revenue per Centrex line per month.

### Central Office

The investment in central office equipment for Centrex service is greater than that for conventional PBX service because of the many additional features. The investment in central office equipment for conventional PBX service has been subtracted (in the manner shown below) from the investment for Centrex service to determine the difference.

As shown in 4E the central office investment per PBX trunk for conventional PBX service is $856.00. There are, on the average, 8 PBX stations for each PBX trunk. With Centrex service there are the same number of Centrex lines as there would be PBX stations with conventional PBX service. Therefore, $856.00 is divided by 8 (adjusted for spare) to find the amount of investment to subtract from the central office investment per Centrex line.

Likewise 1/8 of the revenue of a PBX trunk ($4.75) is subtracted from the revenue per Centrex line.

E825
Exhibit 52

Outside Plant

With Centrex service there are, on the average, eight times the number of cable pairs required between the customer's premises and the central office than with conventional PBX service. Therefore, as with the central office investment, 1/8 of the cable pair investment is deducted from the Centrex outside plant investment. The revenue which supports this investment for conventional PBX service is covered by the central office trunk charge which covers in part both the central office and outside plant investment. This revenue was deducted under "Central Office" above.

E826

Exhibit 52

## CENTRAL OFFICE INVESTMENT PER CENTREX C.O. PRIMARY STATIC )
## FROM CONTINUING PROPERTY RECORD AS OF 1/1/64

| Location | Centrex Main Station Design Capacity | Switching Inv. | Switching Inv./ Ctx.Sta. | Power Inv. | Power Inv./ Ctx.Sta. |
|---|---|---|---|---|---|
| 200 Park Avenue | 14,500 | $ 5,047,500 | $348.10 | $ 334,643 | $23.08 |
| 1290 Ave. of Americas | 12,000 | 4,052,800 | 337.73 | 90,111 | 7.51 |
| 60 Broad Street | 4,800 | 2,327,262 | 484.85 | 148,889 | 31.02 |
| 140 West Street | 6,800 | 2,009,332 | 295.49 | 70,856 | 10.42 |
| Bridge Street | 3,400 | 1,194,046 | 351.19 | 43,860 | 12.90 |
| Corona | 2,000 | 430,820 | 215.41 | 26,040 | 13.02 |
| Kennedy | 3,420 | 1,113,278 | 325.52 | 118,093 | 34.53 |
| Setauket | 1,000 | 125,620 | 125.62 | 9,700 | 9.70 |
| Deer Park | 1,800 | 277,470 | 154.15 | 14,346 | 7.97 |
| Armonk | 2,000 | 585,200 | 292.60 | 66,640 | 33.32 |
| Harrison | 4,408 | 1,045,891 | 237.27 | 114,109 | 25.89 |
| State St.-Albany | 4,406 | 1,019,592 | 231.41 | 139,802 | 31.73 |
| Washington Ave.-Albany | 2,230 | 393,974 | 176.67 | 38,334 | 17.19 |
| S. Hamilton St.-Pough. | 1,800 | 456,894 | 253.83 | 27,000 | 15.00 |
| Spackenkill Rd.-Pough. | 5,970 | 1,010,900 | 169.33 | 69,670 | 11.67 |
|  | 70,534 | $21,090,579 |  | $1,312,093 |  |

$$\frac{\text{Switching Investment}}{\text{Centrex Stations}} = \frac{\$21,090,579}{70,534} = \$299.01$$

$$\frac{\text{Power Investment}}{\text{Centrex Stations}} = \frac{\$1,312,093}{70,534} = \$18.60$$

Total Investment Per Station = $317.61

---

LOCATION

60 Broad St.

360 Bridge S

Harrison

Weighted Ave

## CENTRAL OFFICE INVESTMENT PER CENTREX MAIN STATION
## FROM W.E. SPECIFICATIONS FOR
## BRIDGE ST., BROAD ST., AND HARRISON

|  |  | $ PER CENTREX MAIN STATION |  |  |  |  |  |  |  |  |
|---|---|---|---|---|---|---|---|---|---|---|
|  |  | SWITCHING |  |  | POWER |  |  | TOTAL |  |  |
| LOCATION | CENTREX MAIN STATION DESIGN CAPACITY | CTX | T.L. | TOTAL | CTX | T.L. | TOTAL | CTX | T.L. | TOTAL |
| Broad St. | 4,800 | 422.94 | 49.90 | 472.84 | 28.66 | 2.84 | 31.50 | 451.60 | 52.74 | 504.34 |
| Bridge St. | 3,400 | 323.96 | 37.44 | 361.40 | 11.79 | 1.19 | 12.98 | 335.75 | 38.63 | 374.38 |
| rison | 4,400 | 216.54 | 38.05 | 254.59 | 23.04 | 3.09 | 26.13 | 239.58 | 41.14 | 280.72 |
| ghted Average | 12,600 | 324.15 | 42.39 | 366.54 | 22.15 | 2.49 | 24.64 | 346.30 | 44.88 | 391.18 |

E827
Exhibit 52

E828

Exhibit 52

## CENTRAL OFFICE CENTREX INVESTMENT - SWITCHING AND POWER

### BROAD STREET

| | INITIAL | 1ST ADDN. |
|---|---|---|
| **Switching Investment** | | |
| Cat. "A" - Centrex Equipment | 240,700 | 188,271 |
| Cat. "B" - Console Equipment | 169,978 | 59,829 |
| Cat. "C" - Tie Line Equipment | 32,684 | 51,021 |
| Total A+B+C | 443,362 | 299,121 |
| Total Installed | 1,375,837 | 750,107 |
| Less A+B+C | 443,362 | 299,121 |
| Cat. "D" - Control and Switching Eqpt. | 932,475 | 450,986 |

| | | INITIAL + 1ST ADDN. |
|---|---|---|
| **Centrex Investment - Switching** | | |
| 1) Cat. "B" | 169,978 | 229,807 |
| 2) % of "B" for Centrex | 85.57% | 86.43% |
| 3) Cat. "B" for Centrex (1x2) | 145,450 | 198,622 |
| 4) Cat. "D" | 932,475 | 1,383,461 |
| 5) % of "D" for Centrex | 94.22% | 90.99% |
| 6) Cat. "D" for Centrex (4x5) | 878,578 | 1,258,811 |
| 7) Cat. "A" 100% Centrex | 240,700 | 428,971 |
| 8) 100% Est. 1739 - Annc. Eqpt. | 15,245 | 15,245 |
| 9) AMA Investment | 100,294 | 128,455 |
| 10) Total Centrex Switching Investment (3+6+7+8+9) | 1,380,267 | 2,030,104 |
| **Power Investment** | 145,887 | 151,198 |
| % of Power for Centrex | 94.22% | 90.99% |
| Centrex Power Investment | 137,455 | 137,575 |
| Centrex Main Station Design Capacity | 2,800 | 4,800 |
| Centrex Investment Per Main Station | | |
| Switching | 492.95 | 422.94 |
| Power | 49.09 | 28.65 |
| Total | $542.04 | $451.60 |

E829
Exhibit 52

## CENTRAL OFFICE TIE LINE INVESTMENT-SWITCHING AND POWER

### BROAD STREET

| | INITIAL | INITIAL + 1ST ADDN. |
|---|---|---|
| **Switching Investment** | | |
| 1. Category "C" Tie Line & Misc. Eqpt. | 32,684 | 83,705 |
| 2. Category "B" - Console Eqpt. | 169,978 | 229,807 |
| 3. % T.L. & Misc. | 14.43% | 13.57% |
| 4. Category "B" T.L. Investment | 24,528 | 31,185 |
| 5. Category "D" Control & Switching | 932,475 | 1,383,461 |
| 6. % T.L. & Misc. | 5.78% | 9.01% |
| 7. Category "D" T.L. Investment | 53,897 | 124,650 |
| 8. Total T.L. Switching Investment (1+4+7) | 111,109 | 239,540 |
| Power Investment | 145,887 | 151,193 |
| % Power for Tie Line & Misc. | 5.78% | 9.01% |
| Power Investment - T.L. & Misc. | 8,432 | 13,623 |
| Main Station Design Capacity | 2,800 | 4,800 |
| Tie Line Investment Per Main Station | | |
| Switching | 39.68 | 49.90 |
| Power | 3.01 | 2.84 |
| Total | $42.69 | $52.74 |

E830
Exhibit 52

## CENTRAL OFFICE CENTREX INVESTMENT - SWITCHING AND POWER

## BRIDGE STREET

| | INITIAL | 1ST ADDN. |
|---|---|---|
| **Switching Investment** | | |
| Cat. "A" Centrex and Regular Subs. Eqpt. | 185,650 | 51,399 |
| Cat. "A1" Centrex Equipment | 3,145 | 2,654 |
| Cat. "B" Console Equipment | 49,682 | 59,227 |
| Cat. "C" Tie Line Equipment | 40,004 | - |
| Total A+A1+B+C | 278,481 | 113,290 |
| Total Installed Cost | 1,019,050 | 273,781 |
| Less A+A1+B+C | 278.481 | 113.290 |
| Cat. "D" Control and Switching Equipment | 740,569 | 160,491 |

| | INITIAL | INITIAL + 1ST ADDN. |
|---|---|---|
| **Centrex Investment - Switching** | | |
| 1) Cat. "A" Centrex + Reg. Subs. | 185,650 | 237,049 |
| 2) % of "A" for Centrex | 81.3% | 93.5% |
| 3) Cat. "A" - Centrex (1x2) | 150,933 | 221,641 |
| 4) Differential Tr. Cost in "A - Reg. Subs. | 15,801 | 5,393 |
| 5) Cat. "A1" - Centrex | 3,145 | 5,809 |
| 6) Cat. "B" Consoles | 49,682 | 108,909 |
| 7) % of "B" for Centrex | 93.0% | 91.0% |
| 8) Cat. "B" - Centrex (6x7) | 46,204 | 99,107 |
| 9) Cat. "D" - Control & Switching | 740,569 | 901,050 |
| 10) % of "D" for Centrex | 76.5% | 85.4% |
| 11) Cat. "D" - Centrex (9x10) | 566,535 | 769,505 |
| 12) Total Centrex Switching Investment (3+4+5+8+11) | 782,618 | 1,101,455 |
| Power Investment | 34,500 | 47,000 |
| % Power for Centrex | 76.5% | 85.4% |
| Power - Centrex | 26,400 | 40,100 |
| Main Station Design Capacity | 2,400 | 3,400 |
| Centrex Investment Per Main Station | | |
| Switching | 326.09 | 323.96 |
| Power | 11.00 | 11.79 |
| Total | $337.09 | $335.75 |

E831
Exhibit 52

## CENTRAL OFFICE TIE LINE INVESTMENT - SWITCHING AND POWER

## BRIDGE STREET

| | INITIAL | INITIAL + 1ST ADDN. |
|---|---|---|
| **Switching Investment** | | |
| 1) Category "C" Tie Line Equipment | 40,004 | 40,004 |
| 2) Category "B" Console | 49,682 | 108,909 |
| 3) % of "B" for Tie Line | 7.0% | 9.0% |
| 4) Category "B" - Tie Line (2x3) | 3,478 | 9,802 |
| 5) Category "D" Control & Switching | 740,569 | 901,060 |
| 6) % of "D" for Tie Line | 5.8% | 8.6% |
| 7) Category "D" Tie Line Investment (5x6) | 42,953 | 77,491 |
| 8) Total Tie Line Switching Investment (1+4+7) | 86,435 | 127,297 |
| Power Investment | 34,500 | 47,000 |
| % Power for Tie Line | 5.8% | 8.6% |
| Power - Tie Line | 2,001 | 4,042 |
| Main Station Design Capacity | 2,400 | 3,400 |
| Tie Line Investment Per Main Station | | |
| Switching | 36.01 | 37.44 |
| Power | .83 | 1.19 |
| Total | 36.84 | 38.63 |

E832
Exhibit 52

# CENTREX C.U. SERVICE
# LINES PER TRUNK

| | # of Systems | | Average Per System |
|---|---|---|---|
| **Data from Centrex CU** | | | |
| **Manhattan** | | | |
| **Systems with 0-100 Lines** | 2 | | |
| Lines | | 135 | 68 |
| Trunks | | 32 | 16 |
| Lines per trunk | | 4.2 | 4.2 |
| **Systems with 101-700 Lines** | 16 | | |
| Lines | | 6,316 | 395 |
| Trunks | | 1,006 | 63 |
| Lines per trunk | | 6.3 | 6.3 |
| **Systems with 701 and over Lines** | 24 | | |
| Lines | | 43,616 | 1,817 |
| Trunks | | 5,256 | 219 |
| Lines per trunk | | 8.3 | 8.3 |
| **Grand Total** | 42 | | |
| Lines | | 50,067 | 1,192 |
| Trunks | | 6,294 | 150 |
| Lines per trunk | | 8.0 | 8.0 |

9-30-64

E833
Exhibit 52

## C.O. SWITCHING INVESTMENT FOR TWO-WAY PBX TRUNKS

| Total Trunksø | Manual Tks. No. A | Manual Tks. Cost/Tk. * B | Total Cost AxB=C | Dial 9 Tks. No. D | Dial 9 Tks. Cost/Tk. # E | Total Cost DxE=F |
|---|---|---|---|---|---|---|
| 91 | 51 | $920 | $46,920 | 40 | $790 | $31,600 |
| 68 | 40 | 885 | 35,400 | 28 | 785 | 21,980 |
| 75 | 35 | 860 | 30,100 | 40 | 785 | 31,400 |
| 49 | 30 | 835 | 25,050 | 19 | 785 | 14,915 |
| 34 | 20 | 750 | 15,000 | 14 | 750 | 10,500 |
| 107 | 69 | 975 | 67,275 | 38 | 785 | 30,530 |
| 129 | 69 | 975 | 67,275 | 60 | 760 | 45,600 |
| 553 | 314 |  | $287,020 | 239 |  | $186,525 |

* P.02 CCS x $35/CCS (Incoming Switching Cost)

# PBX Tk. Table CCS x $38/CCS (Outgoing Switching Cost)
Outgoing PBX Trunks are engineered based on grading and subgrouping.

ø From sampling of large PBXs in service

Totals of Col. C+F ÷ Col. A+D = $856.00

Average Trunk to Line Ratio for PBXs - 1:8

Investment in C.O. Equipment per Centrex Line
for Inward and Outward Traffic Switching - $856÷8 = $107.00
at 96% Fill = 111.46
Power & Common at 7% 7.80

Total Deductable $119.26

E834
Exhibit 52

## Land & Buildings Factor - As Of 1963

### Dial Equipment Space

| Data Mo./Yr. | Total Company Investment In Dial C.O.E. (A817) | Land Plus Building Book Cost (A817) |
|---|---|---|
| Jan. 1963 | 813,791,790 | 309,273,272 |
| Feb. " | 822,086,950 | 312,818,004 |
| March " | 826,833,011 | 313,808,286 |
| April " | 831,184,504 | 332,135,932 |
| May " | 836,047,260 | 335,009,610 |
| June " | 841,286,317 | 335,722,370 |
| July " | 845,265,730 | 336,836,385 |
| Totals | 5,816,495,562 | 2,275,603,859 |

Land & Buildings Associated With Dial C.O. Equipment (44.9% of Total Land & Buildings) 1,021,746,133

% Land & Buildings to C.O. Dial Equipment

$\frac{1,021,746,133}{5,816,495,562} =$ 18%

E835
Exhibit 52

## INVESTMENT IN OUTSIDE PLANT PER CENTREX LINE
## AVERAGE WEIGHTED CABLE LENGTH

| | STATIONS | AVERAGE LENGTH | PAIR FEET |
|---|---|---|---|
| Broad Street | 4,284 | 1554' | 6,657,334 |
| Bridge Street | 2,737 | 2212' | 6,054,244 |
| Harrison | 3,091 | 9212' | 28,474,292 |
| | 10,112 | | 41,185,870 |

$\frac{41,185,870}{10,112}$ = 4073' ÷ 95% Fill = 4,287' or .81 Mile
(Use .8 Mi.)

Construction Costs = $25.00 Per Conductor Mile (E3930)
Cost Per Pair = $50.00 Per Mile
Average Distance = .8 Mile
$50 x .8 = $40.00
7/8 of $40.00 = $35.00 Outside Plant Investment Per Centrex Line

# DIAL OFFICE CAPACITY AND PER CENT FILL 1/1/64
## SOURCE E4376 & E4377

| | Centrex Fill* | | | Dial Office Fill | | |
|---|---|---|---|---|---|---|
| | # Main Sta. Limiting Capacity | In Svce. Main Stations | % Fill | # Main Sta. Limiting Capacity | # Main Stations | % M.S. Working Of M.S. Capacity |
| MBW | 59,120 | 47,946 | 81.1 | 1,993,349 | 1,923,466 | 96.49 |
| LI | 29,650 | 17,564 | 59.2 | 2,402,437 | 2,353,759 | 97.97 |
| Upstate | 9,164 | 7,319 | 79.9 | 1,521,348 | 1,404,829 | 92.34 |
| Company | 97,934 | 72,829 | 74.4<br>use 80.0% | 5,917,134 | 5,682,054 | 96.02 |

* Includes Combined Centrex & Non-Centrex Offices at Fill for Entire Office.

E836
Exhibit 52

E837
Exhibit 52

## CARRYING CHARGES - 1964
## BASED ON YEAR 1963 DATA

| | Central Office Equipment | Outside Plant | Land & Bldgs. | PBX |
|---|---|---|---|---|
| Maintenance | 7.4 | 2.4 | 2.7 | 6.6 |
| General Administration | 5.6 | 5.6 | 5.6 | 5.6 |
| Ad Valorem Taxes | 2.8 | 2.8 | 2.8 | 2.8 |
| Depreciation | 3.7 | 1.9 | 2.1 | 5.6 |
| TOTAL | 19.5 | 12.7 | 13.2 | 20.6 |

Bond Interest Expense:

| | | |
|---|---|---|
| 1. | Bond Interest Rate | 4.5 |
| 2. | Debt Ratio | 1/3 |
| 3. | Bond Interest of 1st Cost | 1.5 |

Gross Receipts Tax and License Contract 4.41% of Revenues

Exhibit 52

## CONSOLES 12-BUTTON CAPACITY FOR USE WITH
## #5 CROSSBAR CENTREX C.O. OR NON-CENTREX SERVICE
## PER DRAWING H-599.254, ISS. #3
## CURRENT COST AS OF MAY 1, 1962

### I. Console

1A12 (12 button) excluding a 2-Pair Audio Channel and 53½-Pair Signal Channel -

| | | |
|---|---|---|
| Per Console: | Apparatus | $ 750 |
| | Installation | 780 |
| | Total Cost Installed | $1,530 |

### II. Console Equipment Located In The Central Office

Per Console.

| | |
|---|---|
| Total Cost Installed | $10,140 |
| Less Land & Buildings | 1,547 |
| | $ 8,593 |

### III. Cost Per Centrex Line

$\frac{\$8,593}{300 \text{ Lines}} = \$28.60$

E839

Exhibit 52

# RETURN ON CENTREX 12-BUTTON CONSOLE

## INVESTMENT

| | |
|---|---|
| 12-Button Console | $ 1,530.00 |
| Central Office Equipment | 8,593.00 |
| Land and Buildings (18%) | 1,547.00 |
| TOTAL | $11,670.00 |

## EXPENSES

| | |
|---|---|
| Central Office Equipment ($8593 x 19.5) | $1,676.00 |
| Console Equipment ($1530 x 20.6) | 315.00 |
| Land & Buildings ($1547 x 13.2) | 204.00 |
| TOTAL | $2,195.00 |

## REVENUES

| | |
|---|---|
| Monthly Revenue for Console | $175.00 |
| Additional From Line Charge (15 Per Line - 300 Lines Per Console) | 45.00 |
| Installation Charge Averaged Per Month $\frac{500 \times 5.6\%}{12}$ | 2.33 |
| | $222.33 |
| Yearly Revenue ($222.33 x 12) | $2,667.96 |

## RETURN

| | |
|---|---|
| Income Before Federal Income Taxes | $473.00 |
| Bond Interest (1.5 x Investment) | 175.00 |
| Amount Subject to Federal Income Tax | 298.00 |
| Federal Income Tax (50%) | 149.00 |
| Amount Available For Return | $324.00 |
| % Return on Deprec. Cost | 3.9% |

E840

Exhibit 52

## REVENUE PER CENTREX C.O. MESSAGE RATE LINE PER MONTH

A summary of the information on Centrex C.O. installations indicates that the average revenue per primary Centrex message rate line is $7.39 as of 9/30/64. A breakdown of the total C.O. lines included is as follows:

| | Total Lines | Lines Billed | Monthly Rate Per Primary Station | | | Total Billing |
|---|---|---|---|---|---|---|
| | 9,378 | 9,600* | First 100 | $8.90 | = | $ 85,440 |
| | 21,910 | 21,910 | Next 600 | 7.40 | = | 162,134 |
| | 13,274 | 13,274 | Over 700 | 6.15 | = | 81,635 |
| TOTAL | 44,762 | 44,984 | | | | $330,939 |

* Eight customers have less than the 100 Line minimum requirement

E841
Exhibit 52

## RETURN ON CENTREX C.O. MESSAGE RATE SERVICE

### LINE INVESTMENT

| | | |
|---|---|---|
| 1. Central Office Investment Per Centrex Line (Source 4b). | | $318.00 |
| 2. Adjusted for Spare ($318.00 ÷ 80%) (Source 4h). | | $397.50 |
| 3. Less Investment for Tie Lines ($44.88 ÷ 80%) (Source 4c). | $ 56.10 | |
| 4. Less Investment for PBX Trunk with Conventional PBX (Source 4a, 4d, 4e, 4h). | $119.26 | |
| 5. Less C.O. Investment for Console (Source 4j). | $ 28.60 | |
| | $203.96 | |
| 6. Adjusted Central Office Investment Per Centrex Line (Source Line 2 - 3, 4, 5). | | $193.54 |
| 7. Add - Land, Buildings Investment 18.0% of Line 6, Central Office Equipment (Source 4f). | | $ 34.39 |
| 8. Add - Outside Plant Investment (7/8 x $40.00) (Source 4a, 4g). | | $ 35.00 |
| 9. Total Investment | | $262.93 |

### EXPENSES

| | |
|---|---|
| 10. Central Office Equipment ($193.54 x 19.5%) (Source 5, Line 6, 4i). | $ 37.74 |
| 11. Land and Buildings ($34.39 x 13.2%) (Source 5, Line 7, 4i). | $ 4.54 |
| 12. Outside Plant ($35.00 x 12.7%) (Source 5, Line 8, 4i). | $ 4.45 |
| 13. Gross Receipts Tax and License Contract ($63.60 x 4.4%) (Source 5, Line 20, 4i). | $ 2.80 |
| 14. Total Expenses | $ 49.53 |

E842
Exhibit 52

**REVENUES**

| | |
|---|---|
| 15. Average Monthly Revenue Per Centrex Line (Source 4k). | $ 7.39 |
| 16. Less PBX Extension Rate (Source 4a). | $ 1.35 |
| 17. Less Revenue for PBX Trunks (1/8 x $4.75) (Source 4a). | $ .59 |
| 18. Less Revenue for Console Equipment | $ .15 |
| 19. Average Monthly Revenue Per Centrex Line to Support Line 9 | $ 5.30 |
| 20. Average Annual Revenue (Line 19 x 12 Mos.) | $63.60 |

**RETURN**

| | |
|---|---|
| 21. Income Before Federal Income Tax | $14.07 |
| 22. Bond Interest (1.5% x Line 9) (Source 4i). | $ 3.94 |
| 23. Amount Subject to Federal Income Tax (Lines 21-22) | $10.13 |
| 24. Federal Income Tax @ 50% (adjusted for W.E. Tax Credit) | $ 5.23 |
| 25. Amount Available for Return (Lines 21-24) | $ 8.84 |
| 26. Return on First Cost | 3.4% |
| 27. Return on Depreciated Cost | 4.5% |

Exhibit 52

# CENTREX CO AND CU RATES

Centrex service is a PBX service consisting of dial switching equipment located either on Telephone Company premises or on customers' premises, switchboard positions and station equipment. The service is provided under the designation Centrex-CO service or Centrex-CU service. As shown under Tab 1, the same features are provided for both services except that with Centrex-CO service the dial switching equipment is located on Telephone Company premises and with Centrex-CU service the equipment is located on customers' premises with the customer providing the space for the equipment. The other difference is in the case of Centrex-CO service the Telephone Company provides the power while in the case of Centrex-CU service the customer provides the power.

Centrex-CO service is offered subject to the availability of facilities. Generally, it is economically feasible to provide facilities for this service in building areas with #5 crossbar offices where:

a. there is a substantial requirement for this type of service - a minimum of 1,000 Centrex lines to start, with a minimum potential demand of 2,000 or more Centrex-CO lines.

b. the customer's location is within a mile of a building area equipped with #5 crossbar features - in general where the location is over one mile from the central office, the outside plant costs make it more economical to provide Centrex-CU service.

As the method of providing Centrex service depends on the availability of facilities, the rates for Centrex-CO service and Centrex-CU service must necessarily be in such relationship to one another that there is no economic disadvantage to the customer through having one service as compared with another. It is also important from the Telephone Company's viewpoint that it have a free choice so that it can protect its investment. For example, if a customer with conventional Type 1 PBX service wished to change to the Centrex PBX service and the overall costs of Centrex-CO service were less than the overall costs of Centrex-CU service he would prefer Centrex-CO service. This would mean the premature retirement of Type 1 PBX service at an economic waste. However, with no dollar advantage between the two Centrex services, the Telephone Company is in a position to

Exhibit 52

regrade the existing Type 1 service to Centrex-CU service. In this way, the Telephone Company protects its investment and the customer pays no more than he would with Centrex-CO service.

The only difference in rates between Centrex-CO and Centrex-CU service is that Centrex-CU is $.75 less per month per primary non-restricted station for message rate service and $.50 less for flat rate service. This difference recognizes the expense to the Centrex-CU customer for the space and power he provides for the equipment.

The average annual rental per square foot for office space in the New York Metropolitan Area is about $6.00. The amount of space required per DLE (Dial Line Equipped) is 1.1 square feet. The estimated power consumption per DLE is about $.05 per month. That equates to $.60 per DLE per month for space and power. That was rounded to $.75 to allow for spare space, partitioning, etc. Therefore, $.75 was deducted from the Centrex-CO rate for primary stations for message rate service to arrive at the Centrex-CU rate per primary station.

In areas where flat rate Centrex service is offered, office space rentals are lower than in the New York Metropolitan Area. Pricing each primary Centrex-CU station $.50 per month below the Centrex-CO station rate is appropriate for space and power where flat rate Centrex service is available.

EXHIBIT 53

New York Public Service Commission

order and report

# STATE OF NEW YORK
# PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on November 9, 1965

PLAINTIFF
EXHIBIT
U.S. DIST. COURT
S.D. OF N.Y.
53

**COMMISSIONERS PRESENT:**

James A. Lundy, Chairman
Francis T. Mylott
Ralph A. Lehr
Frank J. McMullen
Theodore F. Bowes
Edward P. Larkin

**CASE 22626 - Complaint of General Services Administration with respect to certain tariff provisions filed by New York Telephone Company.**

* * *

This Commission having heretofore, by orders adopted herein on June 26 and September 10, 1963, dismissed a complaint of the General Services Administration of the Federal government against New York Telephone Company's rates for Centrex service and denied a petition for rehearing, and said complainant having thereafter instituted a court proceeding to review said orders, and Russell G. Hunt, Justice of the Supreme Court, at a Special Term thereof, by order entered August 24, 1964, having directed that the matter be remanded to this Commission and that the complaint be investigated, and the Commission having conducted an investigation of the said complaint as directed by the Court's order and having determined, on the basis of said investigation, that the Commission's order dismissing the complaint should be confirmed, it is

CASE 22626

E846
Exhibit 53

ORDERED that the order adopted herein on June ✓ 26, 1963 is hereby confirmed.

By the Commission,

(SEAL) (SIGNED) SAMUEL R. MADISON
Secretary

CRG:jk

E847
Exhibit 53

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

October 29, 1965

APPROVED BY THE COMMISSION NOV 9 1965

TO: THE COMMISSION

FROM: TELEPHONE BUREAU

SUBJECT: CASE 22626 - Complaint of General Services Administration with respect to certain tariff provisions filed by New York Telephone Company.

This proceeding was instituted by the Commission by order dated April 9, 1963, directing New York Telephone Company (NYT) to answer a complaint of General Services Administration (GSA) dated February 14, 1963 concerning tariff provisions for Centrex Service (P.S.C. No. 800 - Telephone, Section 4, pp. 21-26). Following submission of such answer dated April 29, 1963 and a reply dated May 21, 1963 from GSA, the complaint was dismissed by order dated June 26, 1963. An application for reconsideration and hearing, sought by GSA by petition dated July 25, 1963, to which NYT filed a statement in opposition dated August 9, 1963, was denied by order dated September 10, 1963.

Thereafter, GSA instituted proceedings for court review and the Supreme Court (Albany County) in a Memorandum Decision dated July 17, 1964 and by order entered August 24, 1964 denied without prejudice GSA's application for an order to compel institution of a rate proceeding pursuant to Section 97

E848
Exhibit 53

of the Public Service Law but remanded the matter to the Commission "for compliance with Rule 3 of said Commission in making the investigation and determination as therein provided."

At the direction of the Commission, NYT by letter dated September 10, 1964 was asked to facilitate compliance by preparation of "sufficiently detailed data (pertaining, among other things, to the cost of rendering the service) to enable the Commission's staff to re-evaluate the reasonableness of the Centrex rates."

This memorandum reports upon such re-evaluation after first summarizing the background of Centrex Service and the complaint.

## BACKGROUND

Centrex Service is a type of private branch exchange (PBX) service which, in various forms, has been available for many years - back to the late 'teens and early 20's. Basically, PBX service provides the means for establishing interconnections between telephones of the subscriber and also between such telephones and those of any other subscriber for telephone service. For many years the charges for PBX service were based upon charges for the various components and to a greater or lesser degree each installation was specifically engineered to meet the requirements of the particular subscriber.

"Package" rate treatment was introduced by NYT in 1950 for Type 1 dial PBX systems and in 1960 for Types 2, 3 and 4, embodying additional features, such as direct inward dialing and completion of outgoing calls without the intervention of a NYT exchange operator.

As distinguished from manual PBX systems where all connections are established manually at the subscriber's switchboard, in any of the four dial PBX systems outgoing calls could be dialed at each telephone from which could also be dialed every other telephone in that PBX system. Incoming calls for Types 1 and 2 are completed by the subscriber's attendant at the switchboard, manually for Type 1 and by means of dialing for Type 2 (Attachment I). Types 3 and 4 differed from Types 1 and 2, respectively, only in that direct inward dialing was provided. Other supplemental service features were available, such as identified outward dialing whereby outgoing toll calls could be identified with the station from which dialed.

## Initial Company Filing

NYT, on October 11, 1961, filed amendments to its Tariff P.S.C. No. 800 - Telephone providing for the introduction of new PBX services designated Centrex-CO and Centrex-CU. Effective December 1, 1961, the company withdrew the Types 3 and 4 services and offered throughout the state, subject to the availability of facilities, the new Centrex Service. Existing subscribers had the option of continuing Types 3 and 4 services for the remainder of the contract period from the date of the installation with the privilege of expanding the systems during such contract period. The Centrex Service was designed to provide the features of the Type 4 system equipped to identify outgoing toll calls dialed from the PBX stations.

There are two types of Centrex Service; one designated as Centrex-CU with the dial switching equipment located on the premises of the subscriber as is the case with the Type 4 system and the other designated Centrex-CO with the dial switching equipment located at NYT premises and the electric power to operate such equipment being furnished by NYT. As contrasted with Types 3 and 4 rate treatment, the Centrex basic station rates provide for various features billed separately for Types 3 and 4 (See Attachment I).

In support of the tariff filing, the company presented detailed computations comparing rates for various sized Centrex-CO and Centrex-CU systems with Types 1, 2 and 4 dial PBX systems and showed the billing differences resulting from these comparisons.

Another element of the company's support set forth its development of indicated return on Centrex. These company figures based on estimated first costs and depreciated (by 25%) costs were supported by computations of investment, revenue and annual charges. The developed investment for a particular sized system was on a per line basis and the revenues on an average revenue per line basis. Ratios were applied to develop estimates of the various expense items. The net operating revenue was therefrom determined, revenue and income taxes were computed and estimated net operating income was thereby derived.

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Finally, the company provided statements setting forth the factors considered in developing the Centrex rates summarized as follows:

(1) The rate treatment for Centrex recognized a packaging principle for all features which were included in the primary station rate. This differed from the treatment for standard PBX systems which specified individual charges for all of the special features.

(2) Rates for Centrex-CO service were designed at a higher level than for Centrex-CU service where the customer provides necessary floor space and power to accommodate the Centrex system.

(3) Under standard PBX service, installation charges apply to each element of the service. By contrast, for ease of administration the Centrex filing introduced a $10 charge for the connection of each primary station (i.e., no charge for bridged extensions and restricted stations).

(4) Under the then existing (and present) arrangements for standard PBX service, stations furnished in different buildings on the customer's same continuous property are billed at the station rate plus mileage. With Centrex, these stations are furnished without mileage charge.

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The company at the time of the initial filing in 1961 set forth the procedures which were followed in establishing the rates for Centrex Service and the company reaffirmed these steps in its answering statement of April 29, 1963. The additional features and advantages of Centrex Service as compared with dial PBX systems were evaluated by the company and the resulting additional value was then added as an increment to the rate for Type 4 dial PBX. As pointed out earlier, some features included in Centrex Service were available also in Type 4 PBX systems at separate charges. These features, which include central office trunks, toll billing arrangement and mileage, were priced out on the basis of tariff rates and incorporated in the Centrex primary station rate. Other values, such as the reduction in subscriber-provided space and switching equipment and power, were priced out on the basis of average costs and also included in the primary station rate. The remaining advantages to the customer under Centrex, which for practical reasons could not be priced out, were given consideration by the company. These included cost to the customer for construction alterations to accommodate the Centrex dial switching equipment; the absence of delay after initial installation in meeting expanded requirements, thereby saving the customer the expense of carrying spare capacity which would be the case under a standard PBX system; and finally the absence of a termination charge for Centrex resulting in a lowering of the customer's contingent liabilities and affording advantages in changes of location, sale of his business, etc.

It was stated by the company that the rates which had been designed for Centrex were at a level which permitted the merchandising of the service and yet would not constitute a burden on the normal telephone subscriber.

These rates were not predicated solely on cost although certainly cost was one element considered in designing the rate structure. As pointed out previously, it was the contention of the company at the time of the filing that the developed rates were based in part on cost, partly on informed rate judgment and on the value of service concept.

The foregoing summarizes the material submitted by the company in support of its tariff filing. After evaluating all of the material submitted by the company and investigating the relationship of the proposed tariff provisions to the existing tariff structure of the company, the staff recommended that the new tariff leaves be permitted to go into effect. The staff had available to it and indeed considered the return ratio estimates prepared by the company in respect to the new service, but these necessarily were prospective and projected estimates and, apart from being subject to all of the infirmities of any segmented cost studies, useful only as one factor to be considered in reviewing and investigating the company's evolution of proposed rates.

GSA Complaint to the Commission

The GSA complaint concerned Centrex-CO Service in Brooklyn and at Idlewild Airport where formerly the federal government had manual or Type 1 dial PBX systems. The complaint, dated February 14, 1963, was made one day before cutover to Centrex-CO Service at these locations, following NYT proposals therefor and prior GSA acceptance by some 12 months for the Brooklyn service and by over six months for Idlewild.

The complaint alleged: That savings to NYT warranted Centrex Service without additional charge over "conventional" PBX service; that an increase in charges was not warranted by additional company investment or expense; that adequate cost or other justification for Centrex rates and charges had not been furnished by the company; that differences in cost of equipment and service were not known by and are not available to the government unless produced by NYT upon Commission order; that control over the number of trunks and switching links, and therefore over the grade of service, rests exclusively with NYT since Centrex tariffs provide no specific service standard, service guarantee or quality assurance; and that tariff rates and charges for Centrex Service are excessive, unjust and unreasonable, and therefore unlawful. The complaint requested the Commission to enter into an investigation of Centrex tariff rates and require NYT to furnish cost and related data.

Thereafter, the various documents hereinbefore noted were filed; the Answering Statement of NYT of almost 30 pages plus appendices, a four-page Letter of Reply from GSA, the GSA six-page Petition for Rehearing, and the NYT ten-page Statement in Opposition. There follows a brief summarization of the major points and contentions.

NYT described the various PBX services and the distinctions of Centrex, pointed out that GSA's "conventional" comparison was meaningless and that to provide Centrex-CO Service at "conventional" PBX rates would create discrimination in favor of Centrex and against PBX "conventional" customers. NYT stressed that the prior government service received at the various locations was completely unlike the new Centrex Service, and stated that Centrex is an optional service and the government was free to keep or even to revert to its prior PBX services. Its rate evolution process was described, essentially a comparison between the most similar Type 4 dial PBX with Centrex-CO Service for which tariffs were designed to fit into the then existing tariff structure giving effect to the additional Centrex features and advantages, and listed and explained these as previously noted.

GSA likened its "options" to a "Hobson's choice" noting that the company offering since December 1, 1961 had been only Centrex or Types 1 and 2 requiring attendant PBX operation (not Types 3 and 4), and stating that the buyer desiring the service features of Centrex (automated PBX) has no alternative and that alternatives available to the buyer in the marketplace are not available to the buyer in a monopoly service from a

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single source of supply. GSA summarized the NYT answer as being in substance an allegation that Centrex rates are reasonable (1) because they are in proper relationship with other PBX rates, (2) because of the greater value of service, and (3) because for many years the Commission has followed "statewide rate-making" which NYT expands into a ratemaking concept for all new communication services.

GSA stated that the Type 4 rates which NYT took as its starting point and which had been in effect for about 18 months when Centrex was introduced, may have been producing an excessive or negative return, that NYT apparently considered only "plus" values with no recognition that under Centrex "the extension user must perform his own switchboard operation, that manual signaling cannot be provided, that emergency calls cannot be handled as expeditiously and that busy over-ride features are not available." GSA noted parenthetically that NYT's ratemaking includes in Centrex rates the savings (space, power, etc.) to customers, a concept which carried to its logical extremes would transfer all communication service savings from the customer to the company.

GSA contended that, in any event, even assuming the validity of a rate relationship test, the relationship of Centrex Service to Type 4 rates is not only irrelevant but completely lacking in probative value unless Type 4 rates had been found by the Commission to be reasonable. As to the value of service, GSA stated that NYT's concept of the value of service

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appears to be what the traffic will bear and emphasized that additional customer demand or acceptance does not establish the reasonableness of the monopoly service provided by the Centrex offering.

Basically, the difference between the two parties is the importance of cost of service to the establishment of proper and reasonable rates. NYT states that Centrex rates were not and should not be established solely upon the basis of costs, but must bear a proper relationship with rates for other classes of service conforming to the ratemaking concept long in effect as exemplified by reference to various prior proceedings. GSA in effect contends that this ratemaking concept is neither relevant to nor an issue in this proceeding involving reasonable rates for new service and that the basic consideration for the establishment of such rates should be the cost of providing such service.

Court Decision

Most of the documents mentioned in the foregoing, and of course the Commission decision and orders, were before the Court to which were presented also the briefs of the involved parties.

It should be noted that in several of these documents GSA has made reference to various sections of the Public Service Law including Section 97. Its petition to the Court in substance asked that the Court (1) vacate the Commission's orders, (2) remand the case to the Commission with directions to make a determination in accordance with its Rule IV and Section 97 as to the justness and reasonableness of the Centrex rates, and (3) for such other relief to which it was entitled in law or equity.

Among other things, the Court Decision states that the Commission treated the complaint, and properly, as one filed under Section 96 and as hereinbefore noted, denied without prejudice GSA's application for an order to compel institution of a rate proceeding pursuant to Section 97.

In remanding the matter to the Commission, the Court Decision indicates, as to the Centrex rates now in effect, that it makes little difference whether or not the Commission acted by order after a rate hearing and the Decision concludes, in part, as follows:

> ".....the rate is in effect and the Commission, after complaint, has permitted the Company to continue to charge the higher rate alleged to be unjust and unreasonable. Treating the complaint as one falling within Section 96(3), the Commission ought to comply with its Rule 3(2) and investigate. The rule provides that, 'when a complaint is filed, it will be investigated by the Commission and may be served upon the utility complained against with direction to satisfy the matter complained of or to file its answer thereto.' The Commission's memorandum

of decision and its order were made solely 'on the basis of the submission filed herein.....' (see memorandum adopted June 26, 1963) and without investigation. The Commission ought to investigate in accordance with its own rule....."

## FURTHER INVESTIGATION AND RE-EVALUATION

On November 4, 1964, pursuant to Commission letter of September 10, 1964, (see p. 2 supra), the company submitted a study containing detailed data relative to Centrex-CO costs and rates. This study was based on plant investment costs derived from 15 Centrex locations serving subscribers in New York City and the cities of Albany and Poughkeepsie. The development of investment, to which were applied various ratios for carrying charges and expenses in making the return computations, was made from the equipment actually in service at the aforementioned locations, with an aggregate design capacity of over 70,500 primary stations. By request, a comparable study was submitted by the company in March of 1965 for Centrex-CU Service based on 60 existing installations serving 60 customers with an aggregate of 63,820 primary stations in service in the New York Metropolitan area.

In the presentation of these data, the company reaffirmed that the Centrex rates were designed primarily on considerations of rate relationships and not solely on the basis of the cost of service. Additional information was furnished from time to time as requested.

The studies included:

(1) A comparison of dial PBX Type 1 service and Centrex Service. Summary is appended (Attachment I).

(2) A statement of the relationship of Centrex rates with conventional PBX rates and estimated associated customer costs for space, power and operator salaries. Included in this analysis were comparisons of Type 1 and Centrex systems from 100 to 2,000 stations.

(3) A statement and a schematic diagram showing the operational differences between Centrex-CO and conventional PBX service including trunking, switchboard equipment and dial switching apparatus.

(4) A systematic development of estimates of investment, expenses and revenues.

(5) Development of indicated return on Centrex-CO message rate service.

(6) A statement on the differences between Centrex-CO and CU and development of the differential between these services.

These studies are comparable to the format of the supporting data submitted in connection with the initial tariff filing in 1961. The primary differences are greater detail and a more factual basis since the company has had nearly four years of actual experience with the various sized Centrex systems which are in service.

In developing its revenue and related cost figures, the company in effect followed its basic concept that the Centrex rates evolved from considerations of differences as compared with "conventional" PBX service and it attempted to eliminate both revenues and costs which it considered common to both "conventional" PBX services and Centrex services. More specifically, it determined average revenues and plant investment per Centrex line and deducted therefrom the revenues which would be separately billed to "conventional" PBX subscribers and the estimated investment cost of the facilities associated with such separately billed charges. There follows a summary of the company's method and results and of the analysis made by the Commission staff of the elements reflected in the company's development of return ratios.

Staff Review

The examination and re-evaluation of the company data as directed by the Commission required considerable time and review of substantial additional company data. Commission telephone engineers and accountants checked back to the underlying records behind the company's studies and investigated the derivation of essentially all figures appearing in the summary section of the studies, which set forth the line investment for Centrex-CO message rate service, associated revenues and expenses and a computation of return ratios for this service. In addition, an independent investigation was conducted of some aspects of the problem covering such items as machine capacities, terminal fill and traffic usage and other related matters in order to check certain claims of the company.

The central office investment per Centrex line was derived by the company from its continuing property records as of January 1, 1964. Fifteen of the Centrex systems in service at that date were selected as the basis for the development of the investment per station. Included in the computation is the cost of the switching equipment together with the investment for power at each of the selected locations. The total switching investment was derived and divided by the total Centrex stations comprising the fifteen systems which produced an average of $299.01. Next, the company computed the total power investment and here again divided by the total number of Centrex stations and arrived at an average of $18.60. These two averages were then added together producing a total investment per station of $317.61. This was checked by our engineers and only insignificant differences were found.

The company adjusted the central office investment per Centrex line of $318 for spare facilities (80% of capacity) arriving at an adjusted figure of $397.50. The basis for the

80% fill was derived from a study of 97,934 installed central office lines which evidenced an average fill of 74.4% which was rounded off. Initially this percentage was questioned but after review of actual conditions at selected locations and determination that the reasonable spare capacity was necessary to avoid undue expansion costs and resultant delay in service, the staff accepts this as a reasonable factor to use for rate design.

The next computation in the development of the central office equipment investment per Centrex line made by the company produced a tie line cost per Centrex line of $44.88 which was adjusted for the 80% fill to $56.10. Commission staff reviewed at length the company's working papers from which it determined that the tie line cost as developed by the company is a reasonable estimate since there are similar relationships in the comparison of PBX and Centrex rates and investments for tie lines.

NYT's estimate of the central office equipment investment for conventional PBX is $119.26 which the staff review indicates is on the low side because there are not reflected "make ready" costs. These costs relate primarily to plant and engineering categories involving labor and equipment charges. The company shows an investment in CO equipment per PBX trunk for inward and outward traffic switching of $856. This figure when divided by the line to trunk ratio of 8 to 1 developed by the New York Telephone Company equates to $107.00. It was established that CO PBX trunk equipment assumes a 96% fill which equates to $111.46. Added to this figure of $111.46 is a 7% factor for power and common equipment which results in a total deductible amount of $119.26. Inadvertently, the company failed to include the make ready costs and the staff determined that consideration of this item would increase the company deduction by $22.35 to a total of $141.61.

NYT's estimate of $28.60 for the console equipment investment per line is based on an average of one console for 300 lines and our engineers have accepted this estimate as reasonable for this equipment.

The additional central office investment per Centrex line over a PBX line is computed by the company to be $193.54. To this was added a factor of investment for land and buildings of 18% equating to $34.39, together with an estimate of related outside plant investment of $35, resulting in a total investment of $262.93. The results were verified from other data available to the staff and we can find no argument therewith.

Commission staff also reviewed critically the other elements and factors entering into the company estimates, such as the average monthly revenue, the factor for license contract fees, gross receipts tax and income tax computation, and found all to be reasonable, except, of course, for the effect on the estimated costs and expenses of the views of the Commission's staff on the central office investment as hereinbefore indicated. On an overall basis, the staff is of the opinion, as a result of its review, that the return ratios of 3.4% and 4.5% indicated by the company's study are low, but that modification thereof would not produce an indicated ratio in excess of 7%.

Necessarily, both the company study and the modifications indicated by the staff review involved judgment and as with any attempt at a cost of service study, particularly on a segmented service the results must be viewed with caution. An independent study, attempting different methods or procedures for apportioning costs to one segmented service, would produce different results and might indicate a somewhat higher return ratio. However, it is the view of the staff that no reasonable approach to a segmented cost of service for Centrex would produce an indicated rate of return so unreasonable as to warrant downward revision of Centrex rates. Lastly, it is emphasized that any cost of service study is not the end result for rate design but merely an aid to judgment in deciding whether proposed or existing tariff rates for specialized telephone service are reasonably compatible with the general rate structure of a company for all classes of telephone service.

## DISCUSSION

The General Services Administration contends:

(1) That increased Centrex charges as compared with conventional PBX charges are not warranted and that savings accruing to the company through improved toll

circuit utilization warrant the offering of Centrex Service without additional charge over those of the conventional PBX type service.

The company declares the rates and charges which were designed for the Centrex offering were basically developed upon considerations of the proper relationship of rates for Centrex as compared with other classes of service. Any savings realized under the improved and expanded Centrex switching system are passed on, according to the company, to all subscribers to the various company services and not exclusively to Centrex customers. This is in keeping with the state-wide method of ratemaking which embraces the concept that the entire state be treated as a unit in fixing rates and that the operations of the company should produce a fair return even though earnings in parts of the system may be higher or lower, and that the payment made by the user of the service should be dependent upon the service rendered rather than upon the profit on the investment required to serve any particular subscriber.

The Commission historically approved the state-wide ratemaking concept in 1923 (Case 377) and

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Case 22626

since that time has consistently followed this method of fixing rates and in considering proposed rate changes.

(2) That adequate cost or other justification for Centrex rates and charges have not been furnished by the company.

Since the company takes the position that Centrex Service is not offered solely on the basis of cost, but rather on the basis of rate relationships as well as judgment factors, there was no voluntary submission given to GSA at the outset. The Telephone Bureau at the time of the initial filing examined at length the factors considered in the development of the Centrex rates and charges and found them to be reasonable and a proper foundation upon which to design the rates for the special service.

(3) That differences in costs of related equipment items of the Centrex and conventional PBX systems, although known by the company, have not been furnished to GSA.

The company did not offer such cost data since there was little benefit from comparison of cost differences of the related equipment items because of the greater flexibility of the Centrex equipment where once again the value of service may be considered as the basic consideration rather than purely a cost basis.

In our opinion, the company argument in this respect is valid since the improved Centrex equipment does in fact have greater flexibility and may not be logically compared with conventional PBX systems with less flexibility. Further, as discussed hereinbefore, meaningful definitive and absolute costs cannot be supplied, but instead there necessarily must be a judgment allocation as in any cost study for a segmented service, and the resultant cost study can be used only as an aid to judgment in designing proper rate schedules.

(4) That under Centrex tariffs, no specific service standard, service guarantee or quality assurance is provided, and it is left to the discretion of the company to determine the quantities of central office trunks and related facilities, thereby placing the control over the grade and character of the service exclusively with the company.

The company states that the rules and regulations governing the offering of Centrex Service are not different than those specified in the tariffs of the company for other types of service, including conventional PBX systems. NYT adheres to the highest service standards and it is the statutory obligation of the company rather than its prerogative to insure the highest quality of service to the subscriber whether the system serving him is elaborate or one of the basic services, such as individual line business service.

(5) That the rates and charges for Centrex as set forth in the tariffs covering this offering are excessive, unjust, unreasonable, and therefore, unlawful.

The company in its reply states that GSA has not supported this contention in any manner, and the staff of the Commission, in its extensive examination of this matter, has found no support for this allegation.

There is no disputing the fact that New York Telephone Company, in arriving at the schedule of rates and charges for the Centrex offering, predicated its development thereof on a twofold basis; the relationship of rates and charges for this new expanded offering to the rates and charges for other conventional type PBX systems; and the value of the service to the large business customer. Certainly, cost is an element of this relationship and in this respect the costs for comparable large type PBX systems were recognized. It is extremely important to remember that the related costs and rates for these systems have developed historically over a long period during which

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several formal rate proceedings were held and to challenge the rates at this time would infer that the rates designed many years ago and re-examined from time to time are now inequitable. At the present time, there are in service the smaller types of PBX systems at basic rates which were initially designed 30 years ago. Realistically, one balancing factor, of course, is the ability of the company to sell any of its services to the public. If the rates and charges for a specific item of equipment or a particular service are priced too high, the company is unable to attract subscribers to the equipment or services and, therefore, must either withdraw the offering or if feasible and equitable reduce the level to one which will be attractive to the customer. For this reason, of necessity, certain elements of the company's business will produce greater returns than certain other elements regardless of the cost.

Centrex Service by its rate of growth is certainly in demand so far as large business customers are concerned and it appears that the pricing of the service is reasonable to them. There have been no protests except for GSA whose basic argument seems to be that it was not furnished in the past with the cost data upon which Centrex Service rates were designed.

If consideration were to be given to a pure cost basis so far as all of the services and equipment of the company are concerned, an overwhelming task would result since each and every service and item of equipment would have to be studied separately and of necessity such study would have to recognize historical development.

More important, it is our judgment that even after completion of this Herculean task the revenues required would have to be produced from the ordinary telephone customer. This general increase in rates for the basic services would be detrimental and could be classified as unduly discriminatory in that a share of the burden for the specialty services would be imposed upon the normal rate payer subscribing to only the basic services.

The concept -- value of service -- has withstood all controversial arguments over the years and this should indeed be merit enough since the overall control imposed by such concept is the companywide rate experience on all services and elements of the business. If this companywide return is maintained at a reasonable level and the rates for basic services are reasonable, then the pricing of the luxury services and equipment would have to be within reason, whether it be done on a judgment basis, or a cost basis or any other basis, taking into account marketability and value of the service.

## Conclusion

On the basis of all of the foregoing, it is concluded that the rates and charges of the New York Telephone Company as filed for Centrex Service are just and reasonable and that no

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Case 226[illegible]

undue discrimination exists with respect to the subscribers to such service. It is further concluded that the complaint filed by the General Services Administration with respect to rates and charges for Centrex Service should be dismissed.

Respectfully submitted,

T. J. Brady

T. J. BRADY
Chief of Telephone Bureau

APPROVED:

JOHN D. M[illegible]CHNIE
Director of Utilities Division

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ATTACHMENT I

## COMPARISON OF DIAL PBX SERVICE & CENTREX SERVICES

| | Dial PBX | Centrex CU | Centrex CO |
|---|---|---|---|
| Out Traffic | Dial "9" | Dial "9" | Dial "9" |
| In Traffic | Opr. Compl. | DID | DID |
| Intercommunication | Dial | Dial | Dial |
| Trunks | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Stations | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Cable Carrying Charge | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Mileage - Same Building Area | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Station Toll Billing | Separate Tariff Rate | Incld. In Line Rate | Incld. In Line Rate |
| Intercept (Cancelled Line) | Attendant | Machine or Attendant | Machine or Attendant |
| Termination Chg. (5 Yrs.) | Yes | No | No |
| Space for Eqpt. | Provided By Customer | Provided By Customer | Provided By Tel. Co. |
| Power | Provided By Customer | Provided By Customer | Provided By Tel. Co. |
| Spare | Cust. Chg. For Lines Equip. | Cust. Chg. Lines Working | Cust. Chg. Lines Working |

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
68A

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EXHIBIT 68A
"Draft A"

**DRAFT A**
**10/19/64**

SEC. 4251. Imposition of tax--(a) In general. There is hereby imposed on amounts paid for the communication services enumerated in the following table a tax equal to the percent of the amount so paid as is specified in such table:

| | Rate of tax (percent) |
|---|---|
| Taxable service: | |
| Local telephone service - - - - - - - - - - - - - | 10 |
| Toll telephone service - - - - - - - - - - - - - | 10 |
| Telegraph service - - - - - - - - - - - - - - - - | 10 |
| Teletypewriter exchange service - - - - - - - - | 10 |
| Private communication service - - - - - - - - - | 10 |
| Wire and equipment service - - - - - - - - - - | 8 |

The taxes imposed by this section shall be paid by the person paying for the services.

(b) Termination of tax on local telephone service--(1) In general. Effective as provided in paragraph (2), the tax imposed by this section on amounts paid for local telephone service shall cease to apply.

(2) Effective date. (A) Subject to the provisions of subparagraph (B), paragraph (1) shall apply with respect to amounts paid on or after July 1, 1965, for services rendered on or after such date.

(B) Paragraph (1) shall not apply with respect to amounts paid pursuant to bills rendered before July 1, 1965. In the case of amounts paid pursuant to bills rendered on or

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after such date for services for which no previous bill was rendered, paragraph (1) shall apply except with respect to such services as were rendered more than 2 months before such date. Paragraph (1) shall not apply with respect to amounts paid for services rendered more than 2 months before such date.

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SEC. 4252. Definitions--For purposes of this subchapter--

(a) Local telephone service. (1) The term "local telephone service" means--

(A) the access from a telephone or radio telephone station (by individual or party line from a telephone station, by a trunk or its equivalent from a private branch exchange, or by radio from a stationary or mobile radio telephone station) to the local telephone system of which such station is a part and

(B) the privilege, through that access, to originate or receive telephonic communications to or from all other persons having telephone or radio telephone stations constituting a part of the same local telephone system

to which a subscriber to the service is entitled upon payment of the charge for local exchange service provided in a local exchange tariff (whether determined as a flat periodic amount, upon the basis of message units or charges per communication, or in some other manner) and without payment of a toll charge.

(2) In addition to the service described in paragraph (1), the term "local telephone service" shall mean--

(A) the provision of an extension line and telephone station which has direct access (without switching) to the local telephone system, and

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(B) the access to a local telephone system and the privilege of intercommunication with all persons described in paragraph (1) provided in connection with a station outside the local telephone system, but not the channel mileage which connects that station with a central office in the local telephone system.

(b) Toll telephone service. (1) The [illegible] "toll telephone service" means a telephonic communication for which (A) there is a toll charge, that varies in amount with the distance and elapsed transmission time of each individual communication, and (B) the charge is paid within the United States.

(2) The term "toll telephone service" also means a service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to originate or receive an unlimited number of telephonic communications to or from all or a substantial portion of the telephone and radio telephone stations of other parties in a specified area that is outside the local telephone system area in which the station provided for this service is located.

(c) Telegraph service. The term "telegraph service" means a telegram, cable, or radio dispatch or message for which the charge is paid within the United States.

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(d) Teletypewriter exchange service. The term "teletypewriter exchange service" means--

(1) the access from a teletypewriter (or other data) station to the teletypewriter exchange system of which such station is a part and

(2) the privilege, through that access, to originate or receive teletypewriter communications to or from all other persons having teletypewriter (or other data) stations constituting a part of the same teletypewriter exchange system

to which a subscriber to the service is entitled upon payment of the charge or charges provided in a teletypewriter exchange tariff (whether determined as a flat periodic amount, upon the basis of distance and elapsed transmission time of communications originated, or in some other manner).

(e) Private communication service. The term "private communication service" means--

(1) the communication service furnished to a subscriber in consideration of a charge the payment of which entitles the subscriber to exclusive or priority use of any communication channel or groups of channels (whether provided for telephonic or for other types of communication, and whether

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within or extending beyond the area served by a local telephone system), regardless of whether such channel or groups of channels may be connected (through switching) with a service described in subsection (a), (b)(2) or (d) for which a separate charge is paid,

(2) terminations, switching capacity, extension lines and stations, or other associated services provided in connection with the channels described in paragraph (1) or provided for the exclusive or priority use of the subscriber, and

(3) the channel mileage which connects a telephone station described in subparagraph (a)(2)(B) with a central office in the local telephone system;

except that such term does not include communication service used exclusively in furnishing wire and equipment service as described in paragraph (f).

(f) Wire and equipment service. The term "wire and equipment service" means the provision over a communications system of a specific type of information (such as stock quotations or information, fire or burglar alarms, or other similar facts or signals) for which the subscriber to the service pays an amount to the person supplying the information.

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Exhibit 68A

(g) Other communication service. Any communication service, or any service associated with a communication service, which is not specifically defined in subsections (a), (b), (c), (d), (e) or (f) of this section constitutes an "other communication service," for which the amount paid is not subject to the tax imposed by section 4251.

SEC. 4253. Exemptions--(a) Certain coin-operated service. Service paid for by inserting coins in coin-operated telephones available to the public shall not be subject to the tax imposed by section 4251 with respect to local telephone service, or with respect to toll telephone service or telegraph service if the charge for such toll telephone service or telegraph service is less than 25 cents; except that where such coin-operated telephone service is furnished for a guaranteed amount, the amounts paid under such guarantee plus any fixed monthly or other periodic charge shall be subject to the tax.

(b) News services. No tax shall be imposed under section 4251, except with respect to local telephone service, on any payment received from any person for services used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio broadcasting, or in

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Exhibit 68A

the dissemination of news through the public press, or a news ticker service furnishing a general news service similar to that of the public press, or by means of radio broadcasting, if the charge for such services is billed in writing to such person.

(c) Certain organizations. No tax shall be imposed under section 4251 on any payment received for services furnished to an international organization, or to the American National Red Cross.

(d) Servicemen in combat zone. No tax shall be imposed under section 4251 on any payment received for any toll telephone service which originates within a combat zone, as defined in section 112, from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary or his delegate may by regulations prescribe, is furnished to the person receiving such payment.

(e) For items otherwise taxed. Only one payment of tax under section 4251 shall be required with respect to the tax on any service, notwithstanding the lines or stations of one or more persons are used in furnishing such service.

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Exhibit 68A

(f) Common carriers and communications companies. No tax shall be imposed under section 4251 on the amount paid for any private communication service, wire and equipment service, or toll telephone service described in section 4252(b)(2), to the extent that the amount so paid is for use by a common carrier, telephone or telegraph company, or radio broadcasting station or network in the conduct of its business as such.

(g) Installation charges. No tax shall be imposed under section 4251 on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation.

(h) Terminal facilities in case of private communication service. No tax shall be imposed under section 4251 on so much of any amount paid for private communication service as is paid for, and properly attributable to, the use of any sending or receiving set or device which is station terminal equipment.

(i) Certain interior communication systems. No tax shall be imposed under section 4251 on any amount paid for private communication service or wire and equipment service,

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if such service is rendered through the use of an interior communication system. For purposes of the preceding sentence, the term "interior communication system" means any system--

(1) no part of which is situated off the premises of the subscriber, and which may not be connected (directly or indirectly) with any communication system any part of which is situated off the premises of the subscriber, or

(2) which is situated exclusively in a vehicle of the subscriber.

(j) Certain private communication service. No tax shall be imposed under section 4251 on any amount paid for private communication service if such service is used in the conduct of a trade or business.

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EXHIBIT 69
Three-column document prepared by AT&T

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U. S. DIST. COURT
S. D. OF N. Y.
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Leaver

| Present Law | Draft A | Comments on Draft A |
|---|---|---|
| SEC. 4252. DEFINITIONS. | SEC. 4252. Definitions—For purposes of this subchapter— | The communication services in this section are defined in terms of the nature of the service available to the subscriber as consideration for the payment of the specific charge for such service, rather than, as in present law, in terms of the capabilities of existing physical facilities used to effect the service. |
| #622. (a) General Telephone Service.—For purposes of this subchapter, the term "general telephone service" means any telephone or radio telephone service furnished in connection with any fixed or mobile telephone or radio telephone station which may be connected (directly or indirectly) to an exchange operated by a person engaged in the business of furnishing communication service, if by means of such connection communication may be established with any other fixed or mobile telephone or radio telephone station. Without limiting the preceding sentence, any service described therein shall be treated as including the use of—<br>(1) any private branch exchange (and any fixed or mobile telephone or radio telephone station connected, directly or indirectly, with such an exchange), and | + -123 (a) Local telephone service. (1) The term "local telephone service" means—<br>(A) the access from a telephone or radio telephone station (by individual or party line from a telephone station, by a trunk or its equivalent from a private branch exchange, or by radio from a stationary or mobile radio telephone station) to the local telephone system of which such station is a part and<br>(B) the privilege, through that access, to originate or receive telephonic communications to or from all other persons having telephone or radio telephone stations constituting a part of the same local telephone system<br>to which a subscriber to the service is entitled upon payment of the charge for local exchange service provided in a local exchange tariff (whether determined as a flat periodic amount, upon the basis of message units or charges per communication, or in some other manner) and without payment of a toll charge. | 487<br>The concept of "local telephone service," as that term is understood in the telephone industry, payment for which entitles the subscriber to communicate with all other persons having telephone stations within the same local telephone system, has been substituted for the indefinite and broader concept of "general telephone service" in the present law. Services not covered by the charge for the basic residential and business or commercial local telephone service, such as PBX's, PBX extensions, tie lines and stations, and private lines which may be connected with an exchange, all of which fall within "general telephone service" of present law, are not within "local telephone service" but are covered by other subsections of Draft A. |
| (2) any tie line or extension line. | (2) In addition to the service described in paragraph (1), the term "local telephone service" shall mean—<br>(A) the provision of an extension line and telephone station which has direct access (without switching) to the local telephone system, and | Only extensions from basic residential and business or commercial local telephone service are included within "local telephone service." Other extensions are included within other subsections of Draft A. |

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| Present Law | Draft A | Comments on Draft A |
|---|---|---|
|  | (B) the access to a local telephone system and the privilege of intercommunication with all persons described in paragraph (1) provided in connection with a station outside the local telephone system, but not the channel mileage which connects that station with a central office in the local telephone system. | The channel mileage part of foreign exchange service is not included within "local telephone service." This is identical with the position expressed in prior Reg. § 42.4252-1(g).<br>Not tied to tariff |
| The term "general telephone service" does not include any service which is toll telephone service or wire and equipment service. |  |  |
| #372 (b) Toll Telephone Service.--For purposes of this subchapter, the term "toll telephone service" means a telephone or radio telephone message or conversation for which (1) there is a toll charge, and (2) the charge is paid within the United States. | (b) Toll telephone service. (1) The term "toll telephone service" means a telephonic communication for which (A) there is a toll charge, that varies in amount with the distance and elapsed transmission time of each individual communication, and (B) the charge is paid within the United States. | This definition is basically the same as that of the present law, except that the term "toll charge" is clarified. not tied to tariff |
|  | (2) The term "toll telephone service" also means a service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to originate or receive an unlimited number of telephonic communications to or from all or a substantial portion of the telephone and radio telephone stations of other parties in a specified area that is outside the local telephone system area in which the station provided for this service is located. | This defines Wide Area Telephone Service (WATS) which has been ruled to be "general telephone service" ~~of~~ in the present law.<br>Not tied to tariff |
| 17 (c) Telegraph Service.--For purposes of this subchapter, the term "telegraph service" means a telegram, cable, or radio dispatch or message for which the charge is paid within the United States. | (c) Telegraph service. The term "telegraph service" means a telegram, cable, or radio dispatch or message for which the charge is paid within the United States. | No change from present law. |

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Exhibit 69

| Present Law | Draft A | Comments on Draft A |
|---|---|---|
| 8a. (d) Teletypewriter Exchange Service.--For purposes of this subchapter, the term "teletypewriter exchange service" means any service where a teletypewriter (or similar device) may be connected (directly or indirectly) to an exchange operated by a person engaged in the business of furnishing communication service, if by means of such connection communication may be established with any other teletypewriter (or similar device). | (d) Teletypewriter exchange service. The term "teletypewriter exchange service" means--<br>(1) the access from a teletypewriter (or other data) station to the teletypewriter exchange system of which such station is a part and<br>(2) the privilege, through that access, to originate or receive teletypewriter communications to or from all other persons having teletypewriter (or other data) stations constituting a part of the same teletypewriter exchange system<br>to which a subscriber to the service is entitled upon payment of the charge or charges provided in a teletypewriter exchange tariff (whether determined as a ~~flat periodic~~ amount, upon the basis of distance and elapsed transmission time of communications originated, or in some other manner). | This definition is similar in operation to the definition of "local telephone service" in that the service as defined in Draft A in terms of the nature of the service available as consideration for the payment of a specific charge, rather than, as in present law, in terms of the capabilities of existing physical facilities used to effect the service. |
| O (e) Wire Mileage Service.--For purposes of this subchapter, the term "wire mileage service" means--<br>(1) any telephone or radio telephone service not used in the conduct of a trade or business, and<br>(2) any other wire or radio circuit service not used in the conduct of a trade or business,<br>not included in any other subsection of this section; except that such term does not include service used exclusively in furnishing wire and equipment service. | (e) Private communication service. The term "private communication service" means--<br>(1) the communication service furnished to a subscriber in consideration of a charge the payment of which entitles the subscriber to exclusive or priority use of any communication channel or groups of channels (whether provided for telephonic or for other types of communication, and whether within or extending beyond the area served by a local telephone system), regardless of whether such channel or groups of channels may be connected (through switching) with a service described in subsection (a), (b)(2) or (d) for which a separate charge is paid, | "Wire mileage service" in the present law is a catchall of all communications services not defined in other subsections, qualified in a recent amendment to exclude services used in a trade or business. Draft A substitutes for "wire mileage service" the category of "private communication service," which is defined to include all private (that is, exclusive or priority use) communication services other than "wire and equipment service" as defined in (f). These private services are distinguishable from the public or "universal" services defined in (a), (b), (c) and (d). The trade or business test in the present law definition of "wire mileage service" has been moved to the exemption in section 4253(j) of Draft A. (e)(1) covers the provision of all types of communication channels for private use, |

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Exhibit 69

| Present Law | Draft A | Comments on Draft A |
|---|---|---|
| | (2) terminations, switching capacity, extension lines and stations, or other associated services provided in connection with the channels described in paragraph (1) or provided for the exclusive or priority use of the subscriber, and<br>(3) the channel mileage which connects a telephone station described in subparagraph (a)(2)(B) with a central office in the local telephone system;<br>except that such term does not include communication service used exclusively in furnishing wire and equipment service as described in paragraph (f). | regardless of whether or not there exists the capability of connecting those channels with one of the public or "universal" types of service which would expose the private service, under present law, to classification as "general telephone service" or "teletypewriter exchange service." (e)(2) includes switching arrangements (such as PBX's, which along with PBX extensions and stations, are specifically mentioned in the definition of "general telephone service" in the present law) and other services associated with communications, provided either in connection with the private channels described in (e)(1) or separately for the private use of the subscriber. (e)(3) describes the channel mileage part of foreign exchange service excluded from the definition of "local telephone service." |
| 4 (f) Wire and Equipment Service.--For purposes of this subchapter, the term "wire and equipment service" includes stock quotation and information services, burglar alarm or fire alarm service, and all other similar services (whether or not oral transmission is involved). Such term does not include teletypewriter exchange service. | (f) Wire and equipment service. The term "wire and equipment service" means the provision over a communications system of a specific type of information (such as stock quotations or information, fire or burglar alarms, or other similar facts or signals) for which the subscriber to the service pays an amount to the person supplying the information. | Rewording of this definition is intended to make clear that it covers only a combination of both information and the communication of that information for which combination the customer makes a payment to the person who both provides the information and also provides or arranges for the communication. The definition does not, by its terms, restrict "wire and equipment service" to a service accomplished by wire channels. |
| | (g) Other communication service. Any communication service, or any service associated with a communication service, which is not specifically defined in subsections (a), (b), (c), (d), (e) or (f) of this section constitutes an "other communication service," for which the amount paid is not subject to the tax imposed by section 4251. | This subsection of Draft A is not in the present law. Any service not specifically defined as taxable in Draft A is not subject to tax. |

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E889
Exhibit 69

| Present Law | Draft A | Comments on Draft A |
|---|---|---|
| SEC. 4253. EXEMPTIONS. | SEC. 4253. Exemptions-- | An attempt has been made to preserve the exemption provided in the present law; however, as noted below, there have been some changes due to the redefinitions of the services. |
| (a) Certain Coin-Operated Service.--Services paid for by inserting coins in coin-operated telephones available to the public shall not be subject to the tax imposed by section 4251 with respect to general telephone service, or with respect to toll telephone service or telegraph service if the charge for such toll telephone service or telegraph service is less than 25 cents; except that where such coin-operated telephone service is furnished for a guaranteed amount, the amounts paid under such guarantee plus any fixed monthly or other periodic charge shall be subject to the tax. | (a) Certain coin-operated service. Service paid for by inserting coins in coin-operated telephones available to the public shall not be subject to the tax imposed by section 4251 with respect to local telephone service, or with respect to toll telephone service or telegraph service if the charge for such toll telephone service or telegraph service is less than 25 cents; except that where such coin-operated telephone service is furnished for a guaranteed amount, the amounts paid under such guarantee plus any fixed monthly or other periodic charge shall be subject to the tax. | No change from present law. |
| (b) News Services.--No tax shall be imposed under section 4251, except with respect to general telephone service, on any payment received from any person for services used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio broadcasting, or in the dissemination of news through the public press, or a news ticker service furnishing a general news service similar to that of the public press, or by means of radio broadcasting, if the charge for such services is billed in writing to such person. | (b) News services. No tax shall be imposed under section 4251, except with respect to local telephone service, on any payment received from any person for services used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio broadcasting, or in the dissemination of news through the public press, or a news ticker service furnishing a general news service similar to that of the public press, or by means of radio broadcasting, if the charge for such services is billed in writing to such person. | Since certain services, such as WATS, PBX's and PBX extensions and stations, are not included in "local telephone service," as they are in "general telephone service" under the present law, such services may now qualify for the news services exemption. |

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Exhibit 69

| Present Law | Draft A | Comments on Draft A |
|---|---|---|
| (c) Certain Organizations.—No tax shall be imposed under section 4251 on any payment received for services furnished to an international organization, or to the American National Red Cross. | (c) Certain organizations. No tax shall be imposed under section 4251 on any payment received for services furnished to an international organization, or to the American National Red Cross. | No change from present law. |
| (d) Servicemen in Combat Zone.—No tax shall be imposed under section 4251 on any payment received for any toll telephone service which originates within a combat zone, as defined in section 112, from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary or his delegate may by regulations prescribe, is furnished to the person receiving such payment. | (d) Servicemen in combat zone. No tax shall be imposed under section 4251 on any payment received for any toll telephone service which originates within a combat zone, as defined in section 112, from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary or his delegate may be regulations prescribe, is furnished to the person receiving such payment. | No change from present law. |
| (e) For Items Otherwise Taxed.—Only one payment of tax under section 4251 shall be required with respect to the tax on toll telephone service, telegraph service or teletypewriter exchange service, notwithstanding the lines or stations of one or more persons are used in furnishing such service. | (e) For items otherwise taxed. Only one payment of tax under section 4251 shall be required with respect to the tax on any service, notwithstanding the lines or stations of one or more persons are used in furnishing such service. | This exemption is broadened to include all services, thus making certain that two taxes will not be collected on any one service. This is in accord with administrative policy reflected in Rev. Rul. 58-542, 1958-2 Cum. Bull. 824. |
| (f) Common Carriers and Communications Companies.—No tax shall be imposed under section 4251 on the amount paid for—<br>(1) any wire mileage service or wire and equipment service; or<br>(2) the use of any telephone or radio telephone line or channel which constitutes general telephone service (within the meaning of section 4252(a)), but only if such line or channel connects stations between any two or which there would | (f) Common carriers and communications companies. No tax shall be imposed under section 4251 on the amount paid for any private communication service, wire and equipment service, or toll telephone service described in section 4252(b)(2), to the extent that the amount so paid is for use by a common carrier, telephone or telegraph company, or radio broadcasting station or network in the conduct of its business as such. | Although slightly broadened as the result of the redefinition and reclassification of services, this exemption is substantially the same as present law currently interpreted. |

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Exhibit 69

| Present Law | Draft A | Comments on Draft A |
|---|---|---|
| otherwise be a toll charge, to the extent that the amount so paid is for use by a common carrier, telephone or telegraph company, or radio broadcasting station or network in the conduct of its business as such. | | |
| (g) Installation Charges.—No tax shall be imposed under section 4251 on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation. | (g) Installation charges. No tax shall be imposed under section 4251 on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation. | No change from present law. |
| (h) Terminal Facilities in Case of Wire Mileage Service.—No tax shall be imposed under section 4251 on so much of any amount paid for wire mileage service as is paid for, and properly attributable to, the use of any sending or receiving set or device which is station terminal equipment. | (h) Terminal facilities in case of private communication service. No tax shall be imposed under section 4251 on so much of any amount paid for private communication service as is paid for, and properly attributable to, the use of any sending or receiving set or device which is station terminal equipment. | The effect of exemptions (h) and (i) has been modified to the extent of the redefinitions and reclassifications of "wire mileage service" and "wire and equipment service" of present law. |
| (i) Certain Interior Communication System.—No tax shall be imposed under section 4251 on any amount paid for wire mileage service or wire and equipment service, if such service is rendered through the use of an interior communication system. For purposes of the preceding sentence, the term "interior communication system" means any system—<br>(1) no part of which is situated off the premises of the subscriber, and which may not be connected (directly or indirectly) with any communication system any part of which is situated off the premises of the subscriber, or<br>(2) which is situated exclusively in a vehicle of the subscriber. | (i) Certain interior communication systems. No tax shall be imposed under section 4251 on any amount paid for private communication service or wire and equipment service, if such service is rendered through the use of an interior communication system. For purposes of the preceding sentence, the term "interior communication system" means any system—<br>(1) no part of which is situated off the premises of the subscriber, and which may not be connected (directly or indirectly) with any communication system any part of which is situated off the premises of the subscriber, or<br>(2) which is situated exclusively in a vehicle of the subscriber. | |

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Exhibit 69

| Present Law | Draft A | Comments on Draft A |
|---|---|---|
| (j) Certain Private Communications Services.—No tax shall be imposed under section 4251 on any amount paid for the use of any telephone or radio telephone line or channel which constitutes general telephone service (within the meaning of section 4252(a)), if—<br>(1) such line or channel is furnished between specified locations in different States or between specified locations in different counties, municipalities, or similar political subdivisions of a State, and<br>(2) such use is in the conduct of a trade or business. | (j) Certain private communication service. No tax shall be imposed under section 4251 on any amount paid for private communication service if such service is used in the conduct of a trade or business. | The "trade or business" test employed in section 4252(e)(1) and (2) of the present law, but not in section 4252(e) of Draft A, was incorporated in this exemption subsection. The exemption has been expanded to the extent that the services included in "private communication service" exceed those specified in section 4253(j) of present law. |

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EXHIBIT 72A

Handwritten notes of November 9, 1964 meeting

Rm 1014 New House Office Building: Nov. 9, 1964

10890

Lawrence Woodworth { John Copeland - treas.
VEF.
RNF
FLF
W.M. Lesher - FCC
Norman Duberstein - IRS
John F Wallace - IRS - CP:R:TC
Harold Kurd - IRS
Gerard Brannon Treas - off of Tax analysis
W.T. Gibb Treas
Charles A Everin " Tax legislative counsel's office
R.C. Blankenship - I.R.S. - Research
Aaron Trub - IRS - Chief Counsel - L&R

[illegible] Handed in [illegible] memo

L.W. - asked for revenue estimates of Draft R effect. VEF said as shown by treasury in [illegible]

Larry R. Langdon - IRS. Chief Counsel - L&R
Robert F. Mundy - Jt. Comm
R.J.F. Gerald J. Poulin AT&T
Grace G[illegible] - Jt. Comm.

USA 33s-476
(ED. 4-23-71)

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S. D. OF N. Y.

72A

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Exhibit 72A

11/9/64 [illegible]

10891

**L.W.** . Why Gen'l Tel to Leased

**YEF.** - DNA - intro on Draft A - modification but close to present law.

- simultaneous changes.
- ready to through
- preliminary draft
- w/ exchange not CC but area.
- tandem office
- "Industry Concept" of exchange is not "Service Position" of central office with switching

skip

- Area of competition [illegible] non-regulated carriers & hardware supp.
- - problem inherent in current laws from connection w/ tel. - facts not telephone & service is not furnished in connection w/ so station
- - caused by Yellow Cab case
-
- Use of switching to provide non-scheduled service, like DLSTTC in UAL ruling - causes problem.

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- Connection
  connections
- Ex change
  any other station

} summary, then considerations are what cause problems.

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Exhibit 72A

11/9/64 (J)

- Draft A -- identifies terms of charges n numerous types of service
-- numerous of related PBX & dedicated channels.
-- lines in local isolated extensions

N. Dubinstein. Business got PBX of average business.

VEF - No - separate charge for PBX

L. Wadsworth: Service in this bldg, intercom + outside comm. - where is it at

VEF. Brings out weakness in draft. Centrex service here probably. [Describes CO & CU] Draft A does not take care of Centrex, but this is because of our tariff problem

WTG. Why centrex and PBX different prices

VEF - Historical?

WTG - If Draft A - law, then would one try to change centrex pricing

VEF Yes, if warranted, & try to change - Tariff lines, & apply to rulings agencies.

LW are we only one who could furnish PBX & centrex type of service

VEF No - [illegible] service.

RJM. PBX intra plant, & may to it cover larger area.

VEF. Outreach by tie lines - TM e.g. - example.

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Exhibit 72A

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11/9/64 (4)

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LW: Problems [illegible], or [illegible] w/ dept stores
VEF: G[illegible] — [illegible]
WTG: Two phones one each for private & public?
VEF: Yes
Lesher: [VEF describes at some length some [illegible] in response to request from L. W.]
Morely: Centrex [illegible] – local?
VEF: Yes
Morey: What is "local exchange tariff"?
VEF: schedule of state regulatory comm
BMF: [illegible] [illegible]!
Mor: [illegible] all new centrex?
VEF: [illegible], [then describes differences]
Lesh: ~~[illegible]~~ "local exchange tariff" includes not only access but also PBX & Call Director, premises [illegible], etc.
Premium charge?
VEF: Don't know what premium is.
GD: Centrex in "123 million exchange" of Draft A?
VEF: No.
GD: might one be shown enough in 1 year to exchange centrex from Draft A?
VEF: maybe.
GD: Is it new service? [Centrex]
VEF: Not necessarily, been around for some time
G.B.: Is the Centrex – PBX problem the 1/20 difference in price?
VEF: Yes.

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Exhibit 72A

11/9/64 (57

**LW**: Why aren't we worried about it.

**VEF**: We are but how can it be done w/o statistical type of analysis? Maybe rulings favorable might go along with us.

**WTG.** Why doesn't Centrex customer just get separate telephones. What are the little guy get that big fellow does not get [illegible] little fellow higher per station price. Recognize our Centrex problem as one of pricing.

**VEF**: TT ASI described.

**LW**: What brings Centrex in and leaves PBX out

**VEF**: The local tariff language ~~and~~ in local and priority or exclusive use of (e) [private communication]

**Marx**: Why couldn't you just pull them out of local tariffs.

**VEF**: Regulation

**LW**: Real problem is that ~~[illegible]~~ tax base could be changed by local regulatory action.

**LW**: Any concern in taking service provided for private residence & including them in local tel such as princess, extension, jack. Customer relation problem.

**FLF**: Yes

**John Copeland**: We do it for telephone -

**GTK.** Diff in PBX Centrex.

**VEF** PBX/Tariff prices in hardware. Only a pricing tariff difference

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Exhibit 72A

11/9/64

10895(L)

WTG: If centrex is taken out of local exchange tariff, will that take it out of tax?

VEF. ?

LW If there were a separate charge for centrex in local tariff, wouldn't this take this out of tax.

VEF Yes

WTG If ~~B~~ PBX is defined separately in local exchange tariff, what language takes it out of local tel service in Draft A
— are we trying to cut out all business service but can't because of political reasons

L.W. No — Too broad.

ND. Why aren't payments to our competitors for equipment subject to tax.

FLF Maybe they should be

WTG My problem, how do you go down draft and identify what is in or out, how do you charge, touch tone for example

VEF: No problem, touch tone charge would be part of payment for access to local telephone service

WTG: Why isn't intercom PBX in itself a local telephone system

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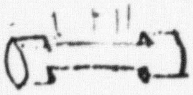
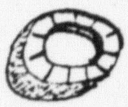
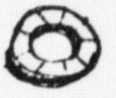
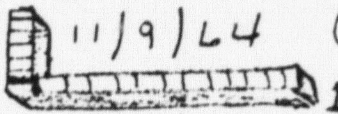
Exhibit 72A









11/9/64 (7)

10896

**LW.** Lines of distinction between what is in and what is out are not sufficiently definite-

**ND.** Tax coverage under A of pay TV entrepreneur who furnishes own communications channels and equipment.

**V.E.F.** We have isolated this problem out.

**ND.** Obviously this must be changed.

**LW** - 4252(g) of A raises problem
Couldn't we exclude services subject to competition when competitive services were also subject to tax.
- 4253(i) anything included.
- 4253(j) where trade or business?
- 4252 (d) on p 5. Shouldn't "data" also follow teletypewriter in all other places, and also shouldn't it also follow Telephone in (a)? VEF - maybe yes.

Will all exchange data be in (d)? VEF yes, (apparently)

**W.T.C.** Could "teletypewriter" be taken out of "teletypewriter exchange systems" in (d)(1)? **VEF** - No.

**VEF** Telex & ~~[illegible]~~ TWX. TWX is furnished on its own exchange separate from all others.

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E900
Exhibit 72A

10897

11/9/64 (2)

Lesher: What is classification of Western Union broadband switched service?

VEF. Not covered unless [illegible] a teletypewriter exchange tariff.

LW (1) List everything now in Ex Tel service which we are cutting out of local telephone service and where are they.
(2) Memo on administrative problems the interstate and stat/tn.

We will hear from them!

---

Later in day: Left Draft A with
—Ken Hellerton of Western Union & promised him I would call McGann tomorrow in N.Y.
—Pete Butler of USITA who said he thought they could go along with us.

---

Add:
Separations
Toll higher from [illegible] & business telephone.

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E901
Exhibit 72A

## AT&T MEETING - November 9, 1961

| | |
|---|---|
| Laurence N. Woodworth | Jt. Committee |
| Grace Gunn | Jt. Committee |
| Robert Moody | Jt. Committee |
| Larry R. Langdon | IRS - Chief Counsel's, L&R |
| Aaron Trub | IRS - Chief Counsel's, L&R |
| R. C. Blankenship | IRS - Research |
| Charles A. Guerin | Treasury - Tax Leg. Counsel's Office |
| W. T. Gibb | Treasury |
| Gerard Brannon | Treasury - Office of Tax Analysis |
| H. M. Kiesel | IRS - T:R:Ex:FS |
| John F. Wallace | IRS - CP:A:TC |
| N. L berstein | IRS - T:R:Ex |
| W. M. Lesher | FCC |
| Frank L. Fuller | AT&T |
| Robert N. Flint | AT&T |
| John Copeland | Treasury |
| V. E. Ferrall | AT&T |

nf

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E902

## EXHIBIT 72B

Typewritten copy of handwritten notes
of November 9, 1964 meeting

Room 1014 New House Office Building: Nov. 9, 1964

Lawrence Woodworth
John Copeland - Treas.
V E F
R N F
F L F
W. M. Lesher - FCC
Norman Duberstein - IRS
John F. Wallace - IRS - CP:A:TC
Harold Kiesel
Gerard Brannon - Treas. Off. of Tax analysis
W. T. Gibb - Treas.
Charles A. Guerin - Treas. Tax legislative counsel's office
R. C. Blankenship - IRS - Research
Aaron Trub - IRS - Chief Counsel - L & R

---

F.L.F. Handed out 3 column memo

L.W. asked for revenue estimates of Draft A

effect. V E F gave as shown by figures in pencil.

---

Larry R. Langdon - IRS Chief Counsel - L & R

Robert J. Moody - Jt. Comm.

R J F Ronald J. Foulis - A T & T

Grace Gunn - J[illegible] Comm.

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USA 33a - 475
(ED. 4-23-71)

PLAINTIFF

**EXHIBIT**
U. S. DIST. COURT
S. D. OF N. Y.

72B

FPI MI—9-24-75-50M-4417

E903
Exhibit 72B

11/9/64 (2)

L.W. Why Genl Tel. to Local?

V E F - DNA - introduction on Draft A - clarification but close to present law
- revolutionary changes
- back to trough
- preliminary draft
- exchange not co but area
- tandem office
- "Industry Concept" of exchange is not "Service Position" of central office with switching

skip

- Area of competition between regulated carriers and hardware mfrs
-- problem inherent in current law from connection w/tel. - jerk out telephone. - service is not furnished in connection w/station
-- caused by Yellow Cab cases
- Use of switching to provide non-soldered up service, like DLSTTS in UAL ruling - could cause problem

- Connection ) summary, these miscon-
- Exchange ) ceptions are what
any other station ) cause problems

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E904
Exhibit 72B

11/9/64 (3)

-Draft A - identifies true exchange or uniform type of service.

--moves out of local PBX and dedicated channels

-leave in local soldered extensions

N. Duberstein - Businesses get PBX if enough business

V.E.F. - No - separate charge for PBX
L. Woodworth - Service in this bldg., intercom and outside conn. - where is that
V.E.F. - Brings out weakness in draft. Centrex service here, probably. [Describes CO & CU] Draft A does not take care of Centrex, but this is because of our tariff provisions.

W.T.G. Why centrex and PBX different prices

V.E.F. Historical?

W.T.G. If Draft A law, then would we try to change centrex pricing

V.E.F. Yes, if important, or try to change tax law, or apply to rulings group

L.W. are we only ones who could provide PBX or centrex type of service

V.E.F. No - hardware companies

R.J.M. PBX intraplant, or may it cover larger area.

V.E.F. Outside by tie lines - Macy example.

E905
Exhibit 72B

11/9/64 (4)

L.W. Problem general, or specific with department stores?

V.E.F. General - private microwave.

W.T.G. Two phones, one each for private & public?

V.E.F. Yes

Lesher [Describes above 890 mc decision on request from L.W.]

Moody Centrex under local?

V.E.F. Yes

Moody What is "local exchange tariff"?

V.E.F. schedule of state regulatory agency

R.N.F. independent significance!

Moody consistency all over country?

V.E.F. basically [but describes differences]

Lesher Local exchange tariff includes not only access but also PBX and Call Director, princess phones, color, etc. Princess charge?

V.E.F. Doesn't know where princess is.

G.B. Centrex in $123 million exclusion of Draft A?

V.E.F. No

G.B. might we be sharp enough in 1 year to exclude Centrex from Draft A?
V.E.F. maybe
G.B. Hot new service? [Centrex]
V.E.F. Not necessarily, been around for some time
G.B. Is the Centrex-PBX problem the 10% difference in price?
V.E.F. Yes

E906
Exhibit 72B

L.W. Why aren't we worried about it.

V.E.F. We are but how can it be done w/o statistical type of analysis? Maybe rulings people would go along with us

W.T.G. Why doesn't Centrex customer just get separate phones. What does little guy get that big fellow does not get for little fellow's higher per station price. Recognizes our centrex problem as one of pricing.

V.E.F. TASI described

L.W. What brings Centrex in and leaves PBX out

V.E.F. The local tariff language in local and priority or exclusive use of (e) [private communication]

Moody Why couldn't you just pull things out of local tariffs.

V.E.F. Regulation

L.W. Real problem is that tax base could be changed by local regulatory action

L.W. Any concern in taking service provided for private residences and including them in local telephone such as princess, extensions, jack. Customer relation problem.

F.L.F. Yes

John Copeland We do it for appliances.

G.T.B. Diff in PBX and Centrex

V.E.F. PBX tariff prices in hardware. Only a pricing tariff difference

E907
Exhibit 72B

11/9/64 (6)

W.T.G. If centrex is taken out of local exchange tariff, will this take it out of tax?

V.E.F. ?

L.W. If there were a separate charge for centrex in local tariff, wouldn't this take this out of tax.

V.E.F. Yes

W.T.G. If PBX is defined separately in local exchange tariff, what language takes it out of local tel service in Draft A.

-Are we trying to cut out all business service but can't because of political pressures.

L.W. No - too broad.

N.D. Why aren't payments to our competitors for equipment subject to tax.

F.L.F. Maybe they should be

W.T.G. My problem, how do you go down draft and identify what is in or out, how do you choose; touch tone for example

V.E.F. No problem, touch tone charge would be part of equipment for access and therefore local telephone service

W.T.G. Why isn't intercom PBX in itself a local telephone system

E908
Exhibit 72B

**L.W.** lines of distinction between what is in and what is out are not sufficiently definite.

**N.D.** Tax coverage under A of pay TV entrepreneur who furnishes own communication channels and equipment

**V.E.F.** We have isolated this problem out.

**N.D.** Obviously this must be changed.

**L.W.** -4252(g) of A causes problems. Couldn't we exclude services subject to competition unless competitive service were also subject to tax.

-4253(i) anything included

-4253(j) whose trade or business?

-4252(d) on p 5. shouldn't "other data" also follow teletypewriter in all other places, and shouldn't it also follow telephone in (a)? VEF - maybe yes

Will all exchange data be in (d)? VEF yes, (apparently)

**W.T.G.** Could "teletypewriter" be taken out of "teletypewriter exchange system" in (d)(1)? VEF - No

**V.E.F.** Telex and TWX. TWX is furnished over its own exchange separate from all others.

E909
Exhibit 72B

11/9/64 (8)

Lesher What is classification of Western Union broadband switched service?

V.E.F. Not covered unless under a teletypewriter exchange tariff

L.W. (1) List everything now in Gen Tel service which we are cutting out of local telephone service, and where are they.

(2) Memo on administrative problems like interest and stat/lim.

We will hear from them!

- - - -

Later in day: left Draft A with
--Ken Heberton of Western Union and promised him I would call McGann tomorrow in N.Y.

--Pete Butler of USITA who said he thought they could go along with us.

- - - -

Add:

Separations
Tolls higher from color and princess telephones.

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EXHIBIT 74
December 4, 1964 letter from V.E. Ferrall
to L. N. Woodworth

December 4, 1964

Mr. L. N. Woodworth
Room 1139
New House Office Building
Washington, D. C. 20515

Dear Mr. Woodworth:

Enclosed is Statement 2, as mentioned in my letter to you dated November 25, 1964.

Also enclosed are five pictured copies for your convenience.

If there are questions or you wish additional information in this regard, please let me know.

Yours very truly,

/s/ Victor E. Ferrall

General Tax Attorney

VEF:EBN
Enclosures

USA 33a - 475
(ED. 4-23-71)
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EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
74
FPI-MI— 8-24-75-50M-4417

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E911
Exhibit 74

## STATEMENT 2

## ADMINISTRATIVE AND COMPLIANCE PROBLEMS EXPERIENCED BY COMMUNICATIONS COMPANIES COLLECTING THE FEDERAL COMMUNICATIONS EXCISE TAX

The administrative problems enumerated below must be examined in the light of the following facts:

Section 4251 of the Internal Revenue Code imposes this tax "on amounts paid for" enumerated communication services, and it expressly provides that the taxes imposed "shall be paid by the person paying for the services." Since the communications company is the "person receiving any payment for" the services on which this tax is imposed, its function is to collect the tax "from the person making such payment" as required by Section 4291. Court decisions and Internal Revenue rulings have made it clear that the person paying for the service is the taxpayer. The cases make it equally clear that the communications company is a collecting agent of the United States Government, and is not an agent of the taxpayer.

A communications company may charge for the services which it provides only those amounts prescribed in tariffs filed with regulatory agencies--either the

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Federal Communications Commission (in the case of interstate services) or a state or local regulatory body (in the case of intrastate services). Fairly frequently a tariff filed is challenged as providing for excessive or discriminatory charges, either by the regulatory agency itself or by a customer or other third party. In the event of such a challenge, the regulatory agency holds hearings and issues an order as to the validity of the tariff. This order may be appealed to a court, and the decision of the court in turn may be appealed to a court or courts of appellate jurisdiction. These regulatory proceedings may continue for a period of years (in one recent instance for over eight years) before there is a final determination of the propriety of the amounts prescribed in the challenged tariff. In the meantime persons who wish to have the communications services must pay the amounts prescribed in the tariff. If such amounts are found ultimately to have been excessive, the communications company may be compelled by the order of the regulatory agency or a court to refund some portion to its customers, years after the amount was paid originally.

Occasionally, during the course of one of these rate proceedings, either the regulatory agency or a court will require the communications company to pay a portion or all of the amounts received under the challenged tariff

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E913
Exhibit 74

into a special bank account or, in a relatively few instances, to an escrow agent. If such an order is entered, the communications company does not have unrestricted use of the amounts paid or, in the case of escrow payments, may not actually receive the amounts until termination of the proceedings.

It will be noted, in the following enumeration of administrative and compliance problems, that the difficulties experienced by communications companies result from failure of the tax law (or, in some instances, of the Internal Revenue Service in administering the law) either (1) to distinguish between the taxpayer (customer) and the collecting agent (communications company), or (2) to provide for (or recognize) the regulatory processes to which the companies are subject.

## Problems Arising in Connection With Refunds of Tax to Customers

If a taxpayer (customer) has overpaid tax he, of course, may apply directly to the Internal Revenue Service for a refund. There is uncertainty, however, as to the extent to which the collecting agent may, or is required to, participate in the process of refunding tax.

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E914
Exhibit 74

Section 6415 of the Internal Revenue Code, which is entitled "Credits or Refunds to Persons Who Collected Certain Taxes" and which appears to be the critical provision as to the function of the collecting agent with respect to refunds, contains the following subsections:

Subsection (c) provides that if the collecting agent "shall make an overcollection" of tax the collecting agent "shall, upon proper application, refund such overcollection to the person entitled thereto." There is no definition of "overcollection" or of "proper application."

Subsection (d) provides that a collecting agent "making a refund of any payment on which tax * * has been collected may repay therewith the amount of tax collected on such payment." It should be noted that, as the result of use of the word "therewith," this subsection seems clearly to provide that tax may be repaid at the time of refund of the payment (with regard to which the tax was collected), regardless of the amount of time that has passed since the ✓ tax was collected.

Subsection (b) provides that "any person entitled to a refund of tax * * paid, or collected and paid, to the Secretary or his delegate by him may, instead of filing a claim for refund, take credit therefor against taxes * * due upon any subsequent return." Again, there is no limitation ✓

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Exhibit 74

as to the time within which this credit in lieu of refund claim may be taken.

Subsection (a) provides that "Credit or refund of any overpayment of" the communications tax may be allowed to the collecting agent if the collecting agent either (1) establishes, under such regulations as may be prescribed, that he has repaid the tax to the person from whom he collected it or (2) obtains the consent of such person to the allowance of the credit or refund. There will be further mention of this particular subsection below.

The following problems as to the administration of refunds, although they relate in general to refunds made by the Government directly to the taxpayer, present peculiar difficulties in connection with refunds by the collecting agent, because of the uncertain definition of the collecting agent's responsibilities in this regard in Section 6415.

1. Is there a statute of limitations on refunds or credits of the communications tax?

The Internal Revenue Service, both in its National Office and in the field, has assumed since adoption of the Internal Revenue Code in 1954 that Section 6511(a) imposes a three-year period of limitations upon refund or credit of the communications tax. Literally, however, that section does not apply to this collected tax.

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E916
Exhibit 74

Section 6511(a) has two sentences. The first sentence applies *only* to credit or refund of an overpayment of "any tax * * in respect of which tax the *taxpayer* is required to file a return." Section 6011(a) of the Code, which is the section prescribing the returns to be filed (when required by regulations), carefully distinguishes between (1) a return that may be required of "any person made liable for any tax imposed by this title," on the one hand, and (2) a return that may be required from "any person made liable * * for the collection thereof," on the other. As is well known, only the collecting agent is required to file a return of the communications tax. The "*taxpayer*" (customer) is not "required to file a return." Therefore, literally, the first sentence of Section 6511 does not apply to refunds of the communications tax.

The second sentence of Section 6511(a) applies only to overpayments of "any tax * * required to be paid by means of a stamp," and, of course, has no application to the collected communications tax.

If Section 6511(a) was intended to prescribe a three (or two) year period of limitations on refund of the communications tax, it should be amended so as to accomplish that result in the manner intended. As matters now stand, it appears that the only limitations on refunds

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Exhibit 74

is that prescribed by Section 2401(a) of the Judicial Code which requires that "Every civil action commenced against the United States shall be barred unless the complaint is filed within six years after the right of action first accrues."

In this regard, attention should be focused upon the practical differences between two types of situations in which there may be an overpayment of the communications tax: (1) The original collection of the tax may be discovered subsequently to have been erroneous. Although in rare instances this may result from mathematical errors in the computation of the tax, it is usually the result of failure to apply an exemption currently known to exist or of the later discovery (through rulings or court decisions) that the customer was entitled to an exemption of which he was not aware at the time the tax was collected. In such a situation there usually will be relatively few taxpayers involved, and the problem of the overpayment can be resolved in a relatively short time. (2) In the instance of an overpayment of tax resulting from a retroactive rate reduction in a rate case, however, the practical factors involved will be quite different. Here many taxpayers are involved--numbering in the millions, in fact, in the larger rate cases.

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E918
Exhibit 74

If the collecting agent does not accomplish the refund of tax under the terms of subsection (d) of Section 6415 of the Code, the Government will be confronted with thousands or even millions of claims for refund from the customers involved. Furthermore, as has been noted above, a rate case may go on for a long period of time, so that there will be a lapse of several years between the time when the tax was paid and the time when the amount of overpayment is identified.

It may be desirable in the latter of these two cases to resolve the problems of the collecting agent by modification of subsection (d) of Section 6415, to make it clear that, regardless of the time that has elapsed since the tax was collected and paid to the United States, the overpayment of tax resulting from the rate case order may be refunded by the collecting agent at the same time that the collecting agent refunds the excessive rate or within a specified period of time thereafter. This might be accomplished by the substitution of other words for the word "therewith" in that subsection.

2. When does any period of limitations, that is applicable to the communications tax, begin to run?

In the development of this problem, reference must be made again to the difference between the case of an

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erroneous collection of tax and the case in which the taxpayer (customer) becomes entitled to a refund as the result of a subsequent rate case determination.

An erroneous payment or collection of the tax presents the typical case of an "overpayment," with which tax men are familiar. If Section 6511(a) were to be amended, so as to make that section applicable to the collected communications tax, there would seem to be no basis for complaint because the three-year or the two-year period of limitations had been made applicable to the communications tax. It would be important, however, to make clear in the law whether it is (1) the filing of the "return" by the collecting agent, (2) the payment of the tax by the taxpayer to the collecting agent, or (3) payment of the tax by the collecting agent to the Government that starts the running of the period of limitations.

In the case of refunds resulting from rate cases, however, different considerations are involved. Here it is arguable that the original collection of tax is proper, since the only way that a customer may obtain the communications services required is to pay for them the "amount" specified in the challenged tariff on file with the regulatory agency. The overpayment of tax results from the subsequent determination by the regulatory agency or a

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court that the "amount" paid was in part excessive or illegal. Failure of the current law to make clear that any period of limitations that may be applicable to refund of the communications tax does not begin to run until a final order in the rate case has resulted in an overpayment is causing severe administrative difficulties, both for the Internal Revenue Service and for the collecting agents.

3. What action is required, either by the taxpayer or by the collecting agent, within the period of limitations?

The filing of a refund claim by the taxpayer, or actual refund or credit of the overpayment by the Government to the taxpayer, is the action usually required within the period of limitations in the typical statute, such as Section 6511(a).

When the collecting agent is participating in the refunding process, however, the question arises as to whether any of the following constitute the kind of action required within the statutory period:

(a) refund of the overpayment by the collecting agent (as agent of the United States) to the taxpayer (customer),

(b) the filing of a return by the collecting agent in which credit against collected tax that otherwise would be paid to the United States

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E921
Exhibit 74

is claimed for refunds made to taxpayers (customers), or

(c) the filing of a refund claim (in some instances intended to be protective) by the communications company.

If the action taken has been either (b) or (c) above, the collecting agent is confronted with the problem of compliance with the requirement of Section 6415(a) that, before the collecting agent may receive a refund or credit, he must establish either that he has repaid the tax to the person to whom it was collected or that such person has consented to the allowance of a credit or refund to the collecting agent. To illustrate, take again the facts of a rate case proceeding that continues for eight years before final order. If a statute of limitations requires that refund be made or a refund claim be filed within three years, and clearly provides that the three-year period begins to run at the time of filing of the collecting agent's return with which the tax is paid to the United States, how can the collecting agent comply with the requirements of Section 6415(a)? If the collecting agent files a protective refund claim within that three-year period, he cannot state in the claim that he has repaid the tax to the customer or

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E922
Exhibit 74

has obtained the customer's consent to a refund or credit to him. Should it not be made crystal clear in the law that, if he has filed a protective refund claim within the three-year period without such allegations, he may prove the facts required by Section 6415(a) at the time of the audit of the refund claim?

4. Is interest allowable on refund of communications tax?

In the case of a tax which has been erroneously billed and collected in the first instance, refund of the overpayment would seem clearly to carry with it interest from the time the tax was paid. Nothing in the Code, however, indicates whether the date on which the tax was paid is the date the customer pays the tax to the collecting agent or the date the collecting agent remits the tax to the Government. Also, there is no indication in the law as to whether the collecting agent is empowered to pay the interest at the time the collecting agent makes a refund of the tax.

In the rate case situation, in which it is arguable that the amount of tax paid originally was correct and the overpayment arises only at the time of the rate case order, interest would seem to accrue only from the latter date. Since interest should accrue from the original payment of the tax if the United States takes the position that the

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Exhibit 74

period of limitations on the refund begins to run at that time, however, it is apparent that resolution of the interest question should be considered along with the problems as to the period of limitations.

The authority of the collecting agent to pay interest with the refund of tax also comes into question in connection with rate case refunds.

## Problems in Connection With Audits by the Internal Revenue Service

Revenue agents in the field, acting in full accordance with audit procedures developed for the taxes paid by returns or by stamps, not infrequently come in to audit the collecting agent, begin by asking for a taxpayer's waiver of the limitations on assessment of deficiencies, and proceed to propose assessment of a "deficiency" against the collecting agent for minor inaccuracies disclosed by the audit. Although time and patience are often required in explaining to the agent that he can find a liability of the collecting agent with respect to the communications tax only if he establishes that the collecting agent has willfully failed to collect the tax or has failed to pay over to the United States tax actually collected from customers, resolution of this problem probably does not require statutory clarification.

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E924
Exhibit 74

There are involved here, however, two specific problems that do require attention.

5. Is there any effective statute of limitations on assessment of additional communications tax by the United States?

Committee Reports on the enactment of the Code in 1954 and the Technical Amendments Act of 1958 indicate that Congress was providing for the same taxes in Section 6501(a) as are covered by Section 6511(a). Therefore, although the language of these two sections differs slightly, there exists the same doubt developed above in connection with Section 6511(a) as to whether Section 6501(a), read literally, applies to the collected communications tax.

Also, opinions of lower courts have indicated that, assuming that Section 6501(a) does apply, the detail normally shown in the "return" of the communications tax filed by the collecting agent is not adequate to start running the period of limitations against assessment provided in that section.

Since the taxpayer (and in some collateral respects, the collecting agent) should be entitled to the "peace" that limitations statutes are intended to afford for other kinds of taxes, a clear limitation upon the assessment of the communications tax should be provided.

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E925
Exhibit 74

6. **Should the collecting agent execute a consent to extension of the period within which additional assessments of the communications tax may be made?**

Although a revenue agent may request such a waiver of the collecting agent, it appears to be clear that the collecting agent (who, the courts say, is the agent of the Government) cannot sign the usual form presented to him, by which he, as "a taxpayer," would consent to have an additional liability for tax assessed against him within the period of extension specified in the waiver. Perhaps some consideration should be given, however, to the question of how any applicable period of limitations may be extended in cases in which such extension appears to be appropriate and desirable.

### Collection of Tax on Escrowed Payments For Communications Services

In some instances regulatory bodies may require the payment of a portion of the charges for communications service to an escrow agent, such as a bank, pending final determination of a rate proceeding. In such a case, questions arise as to

(a) whether the payment is a payment for communications service within the meaning of Section 4251, and

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E926
Exhibit 74

(b) whether the communications company has received any payment for a communications service within the meaning of Section 4291 of the Internal Revenue Code which would require the collection of a tax by the communications company.

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E927

EXHIBIT 75

December 10, 1964 memorandum prepared
for V.E. Ferrall by E.R. Charvat

USA 33a - 475
(ED. 4-23-71)

**PLAINTIFF**

**EXHIBIT**
**U. S. DIST. COURT**
**S. D. OF N. Y.**

75 id

FPI-MI—9-24-75-50M-4417

AMERICAN TELEPHONE & TELEGRAPH CO.

12-10-64 19

MR. Ferrall

Attached are drafts of answers to questions 1, 2, and 3. Answer 3 was prepared by Bob Flint on the basis of Earl's figures and my suggested draft.

With respect to Centrex (and perhaps to other services as well), I was informed that in some cases Centrex is not filed as a local exchange tariff but as a general exchange tariff. Since sec. 4252(a)(1) of Draft A refers to the payment of the charge for local exchange service in a "local exchange tariff", it can be said that any service in a general exchange tariff that is not also in the local exchange tariff is not local telephone service under Draft A.

ERCharvat

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E928
Exhibit 75

1. The monthly charge for Centrex service is based on a charge per attendant position (*e.g.*, a switchboard) and a charge per telephone station. These charges vary in amount between the several telephone companies, and within companies according to the number of stations subscribed to by a customer. However, for the purposes of this discussion we have used the charges appearing in a proposed illustrative tariff for a 100-station Centrex: $125 per attendant position, $13 per unrestricted (*i.e.*, having access to the local telephone system and entitled to local exchange service) station, and $5 per restricted station. The charge per restricted station is less than the charge per unrestricted station because the charge per unrestricted station reflects the additional cost to the telephone companies of providing local exchange service for the unrestricted station.

As the Centrex tariffs now stand, the charges for attendant positions and restricted stations would not come within local telephone service of Draft A, but would fall within private communication service. If the Centrex tariffs were amended so that there would be a specific charge for the local exchange service privilege to which the unrestricted stations were entitled, only that charge out of the total charges constituting the required payment for Centrex service would fall within local telephone service. This might be

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Exhibit 75

accomplished, using the above-illustrative figures, by amending a Centrex tariff to provide a $5 charge for every station (whether restricted or unrestricted) and an $8 charge, specifically as consideration for local exchange service, for every unrestricted station.

If Centrex tariffs were so amended so that there would be a specific tariff charge for the local exchange service privilege of unrestricted stations, there would be an additional tax revenue loss by reason of that amendment and Draft A of approximately $1,600,000. This figure is based on the estimates that the total station charges for Centrex service are $50,000,000, 16% of these revenues are derived from persons not subject to the tax, 90% of the stations are unrestricted stations, and that $5 of the illustrative $13 charge per unrestricted station would be classified as payment for private communication service under Draft A.

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E930
Exhibit 75

2. At present there are no plans to amend the Centrex tariffs so as to provide a separate tariff charge for the local exchange service privilege of unrestricted stations.

Since section 4252(a)(1) of Draft A refers to the "payment of the charge for local exchange service provided in a local exchange tariff" it is not felt that a single charge that is consideration both for local exchange service plus some other service could, simply on the basis of a telephone company's bookkeeping allocation, be divided in to local telephone service plus some other service, unless such a position was adopted in Treasury regulations.

If an amendment of the Centrex tariffs would reduce the communication excise tax on payments for that service, consideration would be given to whether the marketing benefits brought about by a reduction in tax would out weigh the problems attendant upon a tariff change. Since Centrex is an intrastate service each of the telephone companies would be required to make a presentation to each of the commissions having jurisdiction. A telephone company would be required to present the reason for the change, the effect on the company's revenues, and the effect on the customers as a whole and on individual customers. The presentation would present a new opportunity for objection to the tariff as a whole, and, in some instances, the

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E931
Exhibit 75

redefining of charges might adversely effect individual customers who would object and cause a full scale hearing. Thus, the decision to amend the tariffs would not be lightly made.

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E932
EXHIBIT 76
December 17, 1964 letter from V.E. Ferrall
to L.N. Woodworth

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY, NEW YORK 7, N.Y.

AREA CODE 212 393-2165

VICTOR E. FERRALL
GENERAL TAX ATTORNEY

December 17, 1964

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
76

Mr. L. N. Woodworth
Room 1139
New House Office Building
Washington, D. C. 20515

Dear Mr. Woodworth:

The following are answers to the three questions with regard to Centrex service that you gave to Mr. R. J. Foulis, and which, for the purpose of clarifying our understanding of the questions, I discussed with you by telephone on December 8.

1.

In the first question you ask how much revenue loss we believe would be involved if the charges for Centrex service, as provided in current tariffs, could be separated so as to identify the part for local telephone service and the part for private communication service (which latter part would be exempt from tax under the business use exemption in Draft A).

The monthly charge for Centrex service is the total of separate charges for each attendant position, each unrestricted telephone station, and each restricted telephone

E933
Exhibit 76

station for which a customer subscribes. An attendant position is a switching arrangement, at which an attendant may redirect incoming calls to the unrestricted telephone stations and assist in the placing of toll calls. An unrestricted telephone station has access to the local telephone system and is entitled to local exchange service, as well as to intercommunication service with all other stations in the Centrex service. A restricted station provides only intercommunication service with the other Centrex stations. The charge per restricted station is less than the charge per unrestricted station, since the latter reflects the additional value of local exchange service.

Each of these charges varies in amount among the several telephone companies. Also, within each company the charge per unrestricted station varies in accordance with the total number of stations to which the Centrex customer subscribes (being somewhat lower for the larger systems than for the smaller). We think, however, that a reasonably accurate estimate of current average monthly charges is: $125 per attendant position, $7.50 per unrestricted station, and $3.50 per restricted station. (These average monthly charges are used in all discussion and tax estimates that follow.)

Exhibit 76

An estimate of the tax revenue that would be lost if Draft A were to be applied to Centrex requires analysis of each of these three charges separately, as follows:

The charge for an attendant position would be a charge for private communication service within the definitions of Draft A, and would be entitled to the business use exemption. Application of Draft A would exempt this charge without change in the Centrex tariffs currently in effect. Therefore, the resulting tax revenue loss should be considered in connection with the $123 million figure discussed below (in the answer to Question 3.). Since the amount involved (estimated to be approximately $310,000, at a 1964 level) is not substantial and is within the limits of expected accuracy of the $123 million figure, it is our opinion that application of Draft A to the attendant position charge would not have a significant additional effect upon tax revenue.

The charge for a restricted telephone station would also constitute a charge for private communication service without change of current tariffs. The relationship of this charge to the $123 million figure, however, is not entirely clear. A District Director's office has advised one of our customers that restricted stations are exempt under current law, as interior communication systems. Although we plan to

E935
Exhibit 76

submit this determination to the Rulings Division for further consideration, it is our present opinion that it is correct. If it is correct application of Draft A to this charge would result in no additional tax revenue loss. If it is incorrect a relatively small amount should be added to the $123 million figure--estimated to be $408,000 at a 1964 level (based upon application of the formula outlined in the second succeeding paragraph below to an estimated 1964 average of 99,400 Bell System restricted stations).

Substantial tax revenue loss (in addition to the $123 million) would result only if the charge for an unrestricted station under tariffs currently in effect were to be separated into two charges, one specifically identifiable as the charge for the local exchange service privilege (taxable under Draft A), and the other for intercommunication service (subject to the business use exemption). Based upon the average monthly charges mentioned above, one way in which this could be accomplished (in fact, the only practical way of which we are now aware) would be to charge $3.50 for each Centrex station (whether restricted or unrestricted) and an additional $4.00, specifically as consideration for local exchange service, for each unrestricted station.

If that separation were made, we estimate that the annual amount of tax revenue loss, as the result of application

E936
Exhibit 76

of the business use exemption in Draft A to the $3.50 part of the $7.50 average monthly charge for unrestricted stations, would be approximately $3,672,000--computed as follows:

| | | |
|---|---|---|
| (1) | $3.50 x 895,100 (estimated average number of unrestricted stations in the Bell System in 1964) x 12 months | $37,594,200 |
| (2) | reduced by 16% (for charges collected in 1964 from persons currently not subject to tax) | 31,579,128 |
| (3) | increased to an industry figure (on the basis that the Bell System taxable revenues represent 86% of the industry taxable revenues) | 36,720,000 |
| (4) | 10% tax rate applied | 3,672,000 |

This $3,672,000 figure has not been trended to a 1965 level (as was the $123 million figure) and should be accepted with some qualification, for these reasons: Although there was a substantial growth of Centrex service in 1964, there was practically no growth of PBX service. It is the opinion of our people that all or most of the growth of Centrex is coming from replacement of large PBX systems included in the $123 million figure. It is not possible, therefore, to estimate a significant rate of growth for Centrex. To the extent that PBX service revenues do not reach the 1965 level trended in computing the $123 million figure, because of replacement by Centrex, the portion of that figure attributable to application of Draft A to PBX service (approximately

E937
Exhibit 76

$120 million of the $123 million) is overstated. Also, our studies have revealed that under Draft A only approximately 14% of PBX charges (the charges for PBX trunks) would remain subject to tax, whereas approximately 50% of the Centrex charges ($4.00 of the $7.50 charge for each of the large number of unrestricted stations) would continue to be subject to tax. Replacement of large PBX systems by Centrex, therefore, would tend to reduce tax revenue loss due to application of Draft A. In view of this consideration, it is difficult to project the $3,672,000 figure beyond 1964.

## 2.

Your second question asks whether we have any notion as to how long it might be before we would accomplish the separation of Centrex charges outlined above, so that part might be exempted under Draft A--and what would be the factors involved in such a change.

Section 4252(a)(1) of Draft A defines local telephone service by specific reference to a "charge * * provided in a local exchange tariff", and only a single charge for each unrestricted Centrex station is provided in the local exchange tariffs currently in effect. The separation required to exempt part of this charge from tax could be made by some sort of allocation on the telephone companies'

E938
Exhibit 76

books only if a specific addition to that effect were made to Draft A, or if such a position were to be adopted in Treasury regulations or rulings. Therefore, we assume that tariff changes would be necessary.

Centrex is an intrastate service, covered by tariffs on file in each of the states and the District of Columbia. To effect the required tariff changes, therefore, each of the telephone companies would have to file new tariffs and make presentations to the regulatory commission or commissions having jurisdiction. Minimumly, this would involve giving the reason for the change, showing the effect on the company's revenues, and indicating the effect on customers as a whole and on individual customers. At the other extreme, especially if a customer or group of customers was prejudiced by the change, a full scale hearing on the tariff, long and expensive, might result. In view of these considerations, no very accurate estimate can be made as to how much time would be involved, even if the decision were made to proceed with the tariff changes required, and that decision would not be made lightly.

At present there are no plans to amend the Centrex tariffs in this manner. If the change would reduce communication excise tax on payments for the service, however, strong customer requests for the change undoubtedly would be voiced.

E939
Exhibit 76

3.

In your third question you ask for details as to how we arrived at our estimate of $123 million--what were the calculations made and the data used.

The operating revenue accounts of the Bell System companies for the year 1963 included the following amounts of revenue classified as General Telephone Service:

| | |
|---|---|
| Account 500-01, Monthly and Misc. Charges | $4,249,633,000 |
| Account 500-02, Message Charges | 644,234,000 |
| Account 503, Service Stations | 2,394,000 |
| Account 504-01, Private Line Telephone Service (estimated taxable portion) | 19,707,000 |
| Account 511-01, WATS | 109,421.000 |
| TOTAL | $5,025,389,000 |

Based upon a study by our people familiar with rates, it is estimated that $1,004,494,000 of the above total of $5,025,389,000 would have been exempt in 1963 under Draft A if that draft had been in effect, as follows:

| | |
|---|---|
| Private branch exchange switching equipment (included in Account 500-01) | $ 829,000,000 |
| Private branch exchange stations (included in Account 500-01) | 142,960,000 |
| Private line telephone service (included in Account 504-01) | 19,707,000 |
| Miscellaneous (included in Account 500-01) | 12,827.000 |
| TOTAL | $1,004,494,000 |

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Exhibit 76

Studies indicate that, after taking into consideration communications services furnished to customers exempt from tax, the effective tax rate applicable to the $1,004,494,000 would be approximately 9.3%, for a tax of approximately $93 million. About $90 million of this amount on a 1963 calendar year basis, would be attributable to the services numbered 1 and 2 in Statement 1 furnished with my letter of November 25, 1964.

For the years 1959-62, the Bell System collected approximately 86% of the total General Telephone Service communications excise tax, indicating an over-all industry tax collection of $108 million for the year 1963 with respect to the total services which would have been excluded under Draft A. "

Applying an annual 6.7% indicated rate of growth for each of the years 1964 and 1965, the $108 million would amount to $123 million for the calendar year 1965. Of this $123 million, $120 million is attributable to private branch exchange switching equipment and stations.

I trust that the above answers your questions, but if additional information is required please let me know.

Yours very truly,

General Tax Attorney

VEF:EBN

E941

EXHIBIT 79

December 29, 1964 letter from R.D. Weber
to H. Boyles

~~Mr. Arnold~~
~~[illegible]~~
~~[illegible]~~

Howard and I discussed [illegible] and I told him we did not care for the centrex plan HPB

December 29, 1964

Dear Sir:

Although the Bell System supports the complete elimination of Federal Excise Taxes on all communications services, practical considerations suggest that something less than this may have to be accepted, at least initially. With this in mind, it has been felt that we should at least push for eliminating the tax on competitive business services. Specifically, we would recommend a re-draft of the present tax law in such a way that the tax would apply only on certain specific services making use of the exchange and toll networks, namely, Local Exchange Lines and Trunks, Local Message Units, Toll Messages, etc. Other services such as PBX switching equipment, extensions, supplemental equipment, etc. would not be taxable.

One difficulty with this approach, however, has been the package pricing of Centrex which wraps the taxable local exchange charge into the station rate which also includes non-taxable items. If the entire Centrex charge were to be taxed, this would discriminate in favor of the PBX customer who would pay a tax only on his trunks.

One possible solution to this problem which would not appear to compromise our packaging objectives would be to charge for unrestricted Centrex stations on a two-component basis along the following lines:

We now offer restricted Centrex stations at an average rate throughout the System of about $3.50. These stations are permitted intercommunicating use only, consequently would not be subject to tax. Since it can be demonstrated that all unrestricted stations have this same intercom capability (as well as that of exchange connect), it would be possible to apply the restricted station charge to all Centrex stations and call it, say, a Centrex Station Charge. In addition those stations which would be unrestricted would carry an additional Centrex Line Charge equal to the difference between the present unrestricted station rate and the restricted station rate. The tariff regulations could further specify that unrestricted service would require a Centrex Line Charge and a Centrex Station Charge for each unrestricted station and that a minimum number of Centrex Line Charges would be applicable to any single Centrex system.

An example of how the above approach might apply in a typical situation is attached.

Although we are still in a preliminary stage in our discussions with the Internal Revenue Service and the House Ways and Means Committee, this question of how we would handle Centrex has already come up. I wonder if I could have your reaction to the above approach, and whether you think a re-filing of Centrex rates on a two-component basis is feasible in your Company. A telephone call would be sufficient.

Bob

R. D. Weber

Attachment

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EXHIBIT
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S.D. OF N.Y.
79

Attachment

E942
Exhibit 79

**Present**

1. Restricted main telephones, each $ 3.50

2. Unrestricted main telephones, each

| | |
|---|---|
| First 50 | $10.00 |
| Next 250 | 7.50 |
| Next 600 | 6.00 |
| Over 900 | 5.00 |

3. A minimum monthly charge for 300 unrestricted main telephones at the principal premises is applicable to each system.

**Proposed**

1. Centrex main stations, each $ 3.50

2. Centrex lines, each

| | |
|---|---|
| First 50 | $ 6.50 |
| Next 250 | 4.00 |
| Next 600 | 2.50 |
| Over 900 | 1.50 |

3. A Centrex main station is arranged for intercommunicating calls only unless equipped with Centrex line.

4. A minimum of 300 Centrex main stations at a principal premises must be equipped with Centrex lines.

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EXHIBIT 80
January 12, 1965 memorandum from
L.R. Stang to G.W. Trout

Sent copies to
Mr Reynolds
" Childs

USA 33s - 475
(ED. 4-23-71) PLAINTIFF

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

80

FPI-MI—5-24-78-60M-4417

Mr. Trout:

In the interest of finding a practical way of, at least, reducing the federal excise tax on telephone services I think we can go along with the thinking of the A. T. & T. rate group on this modification in the pricing plan for Centrex Type 1 service. We would also have to keep this in mind when we finalize our treatment of Type 2 and Type 3 Centrex service in exchanges other than Chicago.

This plan has one drawback; i.e., it might tend to promote an inferior service and a relatively costly service to provide when common control switching facilities are used to provide Centrex service (C.O. types). Furthermore, eliminating the excise tax on supplemental equipment would have only a very small effect on our customers and maybe greater effort should be made to do something where it would really count.

If you have no objections I will advise Mr. Weber in accordance with the above, pointing out the one objectionable feature. I have discussed briefly with Mr. Reynolds of Marketing.

(SIGNED) L. R. STANG

LRS:lh
1-12-65

E944
EXHIBIT 81
January 14, 1965 memorandum

Copy For: W. W. Shipley

**CENTREX - FEDERAL EXCISE TAX**

Seattle, January 14, 1965

Mr. Hocking:
Mr. Vosburgh:

Attached is a letter from Bob Weber, 195 Rates, proposing a change in Centrex rate format to help meet our excise tax objectives.

Would you let me know of your views? Thanks.

WWS
Wayne Shipley

WWS:ljw
Attachment

1/20/65 Okay with Dick Hocking except for treatment of dormitory lines - they have both the central office traffic and intercom traffic - like the CX main station - what split to use?

1/21/65 - Per Don Vosburgh - proposed rate treatment would result in service order & record difficulties; i.e., keeping Centrex station associated with proper Centrex line. Also, problems in plant verifications.

USA 33e-475
(ED. 4-28-71)

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U. S. DIST. COURT
S. D. OF N. Y.

81

FPI-MI—9-24-75-50M-4417

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E945
EXHIBIT 82
January 25, 1965 memorandum

R. file — Centrex — Correspondence

Centrex - Federal Excise Tax

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EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
82

Seattle, Jan. 25, 1965

Mr. Shipley:

Re Bob Weber's (195 Rates) 12/29/64 inquiry on splitting Centrex main station rates to take advantage of the non-taxable intercom portion -.

Dick Hocking asks how the dormitory station rate would be split.

Don Vorbrugh points out that the main station split would create service order (record) problems in that a given line might become disassociated from its station.

I covered the above with Scott Shepherd at 195 this morning. He recognizes the dorm. station problem. Says they "have not yet crossed that bridge".

Attachment

WWS

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E946

EXHIBIT 83

February 3, 1965 memorandum from
W.G. Butler to R. DeButts

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[illegible] file [illegible]
[illegible]
[illegible]
[illegible]
[illegible]
2-9-65

[illegible]

February 3, 1965

MR. ~~DeBUTTS~~:

The following is a summary of the views expressed by the Companies on the Excise Tax question raised by Bob Weber:

All are opposed to splitting the CENTREX unrestricted station rates. They suggest exploring alternatives, such as, handling in Accounting using a pro rata approach. If the split is necessary, however, they see no unusual problems with their customers on their Commissions.

Some observations

- The split could result in some awkward comparisons, eg:

| | Wash. | Md. |
|---|---|---|
| PBX Station or Station Line | $ .75 | $1.25 |
| CENTREX Line (over 900) | 1.25 | .75 |

- The split would also apply to dormitory stations, which [illegible] were rated in relationship to 1 FR. The split would, perhaps, make it more difficult to maintain this relationship.
- The split would be contrary to packaging concept.
- Might encourage restricted stations.
- Could result in customer confusion as to charges applicable.

W.G. Butler

USA 33a-475
(ED. 4-28-71)
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EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
83

EXHIBIT 85
May 14, 1965 memorandum prepared by V.E. Ferrall
and R.J. Foulis for F.R. Kappel

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
85

File

Prepared by [illegible]
[illegible]
5/14/65
for Mr. Kappel
(Mill. Conf.)

The decision of the Federal Communication Commission in the "Over 890" case, combined with revolutionary developments in the field of electronics, have compelled large users of private business communications to make a choice. This choice is between services provided by regulated common carriers and private systems which the user can build from equipment purchased or leased from manufacturers of communication equipment and computers. In this choice the excise tax creates a strong bias against the common carriers' services (particularly when combined with the advantages of a 7% investment credit obtained through purchase or lease). With increasing frequency, therefore, tax avoidance, not sound economic reasons, is determining the kind of communication system that the user selects.

Upon presentation of this problem to representatives of the Treasury Department and the Staff of the Joint Committee on Internal Revenue Taxation, they agreed that the communications excise tax should not affect an economic choice on the part of the consumer. Accordingly, they agreed that the tax should be removed where it has become a factor in the competition between regulated common carriers and unregulated suppliers of equipment.

A proposed revision of the existing excise tax law was prepared to accomplish this result. Examination of this draft by our technical people disclosed, however, that the draft excluded at least one carrier-supplied service which the Treasury and Staff representatives thought should be continued under the tax, and that it also may fail to exempt from tax certain services which the drafters intended to exclude as services falling within the competitive area.

Further discussions of our people with Treasury and Staff representatives have disclosed some difficulty in drafting the law in terms

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E948
Exhibit 85

that are easily understood by both the communications industry (which must collect the tax) and by the Internal Revenue Service (which must interpret it). Because of this difficulty, there may develop an inclination of the part of the Treasury to abandon the effort to correct this inequity.

We urge that the effort be carried forward even though there may be some imperfections of language in the final result.

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E949
EXHIBIT 86
Memorandum and attachment received
on or about May 11, 1965

**RONALD J. FOULIS**
1730 K STREET, N. W.
WASHINGTON, D. C. 20006

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USA [illegible] - 456
(ED. 6-28-71)
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S. D. OF N. Y.
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Rec'd 5/11/65.

PLAINTIFF'S
EXHIBIT
U.S. DIST. COURT
S.D. OF N.Y.
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E950
Exhibit 86

"SEC. 4252. DEFINITIONS.

"(a) Local Telephone Service.--For purposes of this subchapter, the term 'local telephone service' means--

"(1) the access to a local telephone system, and the privilege of telephonic quality communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system, [which is provided in connection with a telephone or radio telephone station constituting a part of such local telephone system,] and

"(2) any facility or service provided in connection with a service described in paragraph (1), to which the subscriber is entitled upon payment of a charge or charges other than a toll charge. The term 'local telephone service' does not include any service which is a 'private communication service' as defined in subsection (d).

"(b) Toll Telephone Service.--For purposes of this subchapter, the term 'toll telephone service' means--

"(1) a telephonic quality communication for which (A) there is a toll charge which varies in amount with

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the distance and elapsed transmission time of each individual communication and (B) the charge is paid within the United States, and

"(2) a service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to the privilege of an unlimited number of telephonic quality communications to or from all or a substantial portion of the persons having telephone or radio telephone stations in a specified area which is outside the local telephone system area in which the station provided with this service is located.

"(c) Teletypewriter Exchange Service.--For purposes of this subchapter, the term 'teletypewriter exchange service' means the access from a teletypewriter or other data station to the teletypewriter exchange system of which such station is a part, and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations constituting a part of the same teletypewriter exchange system, to which the subscriber is entitled upon payment of the charge or charges

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Exhibit 86

provided in a teletypewriter exchange tariff (whether such charge or charges are determined as a flat periodic amount, on the basis of distance and elapsed transmission time, or in some other manner).

"(d) Private Communication Service.--For purposes of this subchapter, the term 'private communication service' means--

"(1) the communication service furnished to a subscriber in consideration of a charge which entitles the subscriber to exclusive or priority use of any communication channel or groups of channels (regardless of whether such channel or groups of channels may be connected through switching with a service described in subsection (a), (b)(2), or (c) for which a separate charge is paid),

"(2) terminations, switching capacity, extension lines and stations, or other associated services which are provided in connection with, and are necessary or unique to the use of, channels described in paragraph (1), and

"(3) the channel mileage which connects a telephone station located outside a local area with a central office in such local telephone system,

except that such term does not include any communication service for which a separate charge is not made."

E953

EXHIBIT 87
Document containing handwriting
of V.E. Ferrall

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EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
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"SEC. 4252. DEFINITIONS.

"(a) Local Telephone Service.--For purposes of this subchapter, the term 'local telephone service' means--

"(1) the access to a local telephone system, and the privilege of telephonic quality communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system, [which is provided in connection with a telephone or radio telephone station constituting a part of such local telephone system,] and

Foreign exchange service?

"(2) any incidental facility or service provided for use primarily in connection with the use of a service described in paragraph (1), to which the subscriber is entitled upon payment of a charge or charges provided in a local exchange tariff and without payment of [other than] a toll charge. The term 'local telephone service' does not include any service which is a 'private communication service' as defined in subsection (d).

"(b) Toll Telephone Service.--For purposes of this subchapter, the term 'toll telephone service' means--

"(1) a telephonic quality communication for which (A) there is a toll charge which varies in amount with

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Exhibit 87

the distance and elapsed transmission time of each individual communication and (B) the charge is paid within the United States, and

"(2) a service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to the privilege of an unlimited number of telephonic quality communications to or from all or a substantial portion of the persons having telephone or radio telephone stations in a specified area which is outside the local telephone system area in which the station provided with this service is located.

"(c) Teletypewriter Exchange Service.--For purposes of this subchapter, the term 'teletypewriter exchange service' means the access from a teletypewriter or other data station to the teletypewriter exchange system of which such station is a part, and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations constituting a part of the same teletypewriter exchange system, to which the subscriber is entitled upon payment of the charge or charges

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Exhibit 87

provided in a teletypewriter exchange tariff (whether such charge or charges are determined as a flat periodic amount, on the basis of distance and elapsed transmission time, or in some other manner).

"(d) Private Communication Service.--For purposes of this subchapter, the term 'private communication service' means--

"(1) the communication service furnished to a subscriber in consideration of a charge which entitles the subscriber to exclusive or priority use of any communication channel or groups of channels (regardless of whether such channel or groups of channels may be connected through switching with a service described in subsection (a), (b)(2), or (c) for which a separate charge is paid),

"(2) terminations, switching capacity, extension lines and stations, or other associated services which are provided in connection with, and are necessary or unique to the use of, channels described in paragraph (1), and

"(3) the channel mileage which connects a telephone station located outside a local area with a central office in such local telephone system,

except that such term does not include any communication service for which a separate charge is not made."

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EXHIBIT 89
Document from files of AT&T General
Tax Attorney dated May 12, 1965

J.M. Fuller

by teletypewriter

"Sec. 4251. Imposition of tax.
"Sec. 4252. Definitions.
"Sec. 4253. Exemptions.
"Sec. 4254. Computation of tax.

"SEC. 4251. IMPOSITION OF TAX.

"(a) In General.--

"(1) Except as provided in subsection (b), there is hereby imposed on amounts paid for the following communication services a tax equal to the percent of the amount so paid as is specified in paragraph (2):

"Local telephone service.

"Toll telephone service.

"Teletypewriter exchange service.

"The taxes imposed by this section shall be paid by the person paying for the services.

"(2) The rate of tax referred to in paragraph (1) is as follows:

"Amounts paid before January 1, 1966 . . . . . . 10 percent
"Amounts paid after December 31, 1965 . . .
and before January 1, 1967 . . . . . . . . 3 percent
"Amounts paid after December 31, 1966
and before January 1, 1968 . . . . . . . . . 2 percent
"Amounts paid after December 31, 1967
and before January 1, 1969 . . . . . . . . 1 percent

USA 33e-475
(ED. 4-23-71) PLAINTIFF

EXHIBIT
U. S. DIST. COURT
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89 , id

FPI-MI—9-24-75-50M-4417

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E957
Exhibit 89

"(b) Effective Date of Reductions.--Except as otherwise provided in this subsection, the tax imposed by subsection (a) shall not apply to amounts paid on or after January 1, [illegible]. In the case of amounts paid pursuant to bills rendered on or after a January 1st (on which a new tax rate goes into effect) for services for which no previous bill was rendered, the new tax rate shall apply to such amounts except with respect to amounts paid for any such services as were rendered more than two months before such January 1st. A new tax rates shall not apply with respect to amounts paid for services rendered more than 2 months before the January 1st on which such new rate goes into effect. As used in this subsection, the term "new tax rate" includes the termination of the tax.

"SEC. 4252. DEFINITIONS.

"(a) Local Telephone Service.--For purposes of this subchapter, the term 'local telephone service' means--

"(1) the access to a local telephone system, and the privilege of telephonic quality communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system, and

"(2) any facility or service provided in connection with a service described in paragraph (1),

to which the subscriber is entitled upon payment of a charge or charges other than a toll charge. The term 'local telephone service' does not include any

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E958
Exhibit 89

service which is a 'toll telephone service' or a 'private communication service' as defined in subsections (b) and (d).

"(b) Toll Telephone Service.--For purposes of this subchapter, the term 'toll telephone service' means--

"(1) a telephonic quality communication for which (A) there is a toll charge which varies in amount with the distance and elapsed transmission time of each individual communication and (B) the charge is paid within the United States, and

"(2) a service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to the privilege of an unlimited number of telephonic communications to or from all or a substantial portion of the persons having telephone or radio telephone stations in a specified area which is outside the local telephone system area in which the station provided with this service is located.

"(c) Teletypewriter Exchange Service.--For purposes of this subchapter, the term 'teletypewriter exchange service' means the access from a teletypewriter or other data station to the teletypewriter exchange system of which such station is a part, and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations constituting a part of the same teletypewriter exchange system, to which the subscriber is entitled upon payment of a charge or charges (whether such charge or charges are determined as a flat periodic amount, on the basis of distance and elapsed transmission time, or in some other manner).

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Exhibit 89

"(d) Private Communication Service.--For purposes of this subchapter, the term 'private communication service' means--

"(1) the communication service furnished to a subscriber in consideration of a charge which entitles the subscriber to exclusive or priority use of any communication channel or groups of channels, (regardless of whether such channel or groups of channels may be connected through switching with a service described in subsection (a), (b) (2), or (c) for which a separate charge is paid),

"(2) switching capacity, extension lines and stations, or other associated services which are provided in connection with, and are necessary or unique to the use of, service channels described in paragraph (1), and

"(3) the channel mileage which connects a telephone station located outside a local telephone system area with a central office in such local telephone system,

except that such term does not include any communication service for which a separate charge is not made.

"SEC. 4253. EXEMPTIONS.

"(a) Certain Coin-Operated Service.--Service paid for by inserting coins in coin-operated telephones available to the public shall not be subject to the tax imposed by section 4251 if the charge for such telephone service is less than 25 cents; except that where such coin-operated telephone service is furnished for a guaranteed

PROTECTED

amount, the amounts paid under such guarantee plus any fixed monthly or other periodic charge shall be subject to the tax.

"(b) News Services.--No tax shall be imposed under section 4251, except with respect to local telephone service, on any payment received from any person for services used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio broadcasting, or in the dissemination of news through the public press, or a news ticker service furnishing a general news service similar to that of the public press, or by means of radio broadcasting, if the charge for such service is billed in writing to such person.

"(c) International, etc., Organizations.--No tax shall be imposed under section 4251 on any payment received for services furnished to an international organization or to the American National Red Cross.

"(d) Servicemen in Combat Zone.--No tax shall be imposed under section 4251 on any payment received for any toll telephone service which originates within a combat zone, as defined in section 112, from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary or his delegate may by regulations prescribe, is furnished to the person receiving such payment.

"(e) Items Otherwise Taxed.--Only one payment of tax under section 4251 shall be required with respect to the tax on any service, notwithstanding the lines or stations of one or more persons are used in furnishing such service.

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"(f) Common Carriers and Communications Companies.-- No tax shall be imposed under section 4251 on the amount paid for any toll telephone service described in section 4252 (b) (2) to the extent that the amount so paid is for use by a common carrier, telephone or telegraph company, or radio broadcasting station or network in the conduct of its business as such.

"(g) Installation Charges.--No tax shall be imposed under section 4251 on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation.

"SEC. 4254. COMPUTATION OF TAX.

"(a) General Rule.--If a bill is rendered the taxpayer for local telephone service or toll telephone service--

"(1) the amount on which the tax with respect to such services shall be based shall be the sum of all charges for such services included in the bill; except that

"(2) if the person who renders the bill groups individual items for purposes of rendering the bill and computing the tax, then (A) the amount on which the tax with respect to each such group shall be based shall be the sum of all items within that group, and (B) the tax on the remaining items not included in any such group shall be based on the charge for each item separately.

"(b) Where Payment is Made for Toll Telephone Service in Coin-Operated Telephones.--If the tax imposed by section 4251 with respect

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to toll telephone service is paid by inserting coins in coin-operated telephones, tax shall be computed to the nearest multiple of 5 cents, except that where the tax is midway between multiples of 5 cents, the next higher multiple shall apply."

SEC. 303. TAX ON TRANSPORTATION OF PERSONS BY AIR.

(a) Section 4261 of the Internal Revenue Code of 1954 (relating to imposition of tax on transportation of persons by air) is amended by striking out "November 15, 1962, and before July 1, 1965" wherever it appears and inserting in lieu thereof "November 15, 1962".

(b) Section 5 (c) of the Tax Rate Extension Act of 1962 (76 Stat. 119) is amended to read as follows:

"(c) Special Credit or Refund of Transportation Tax.--Notwithstanding any other provision of law, in any case in which tax has been collected before November 16, 1962, for or in connection with the transportation of persons which begins on or after November 16, 1962, the person who collected the tax shall pay the same over to the United States; but credit or refund (without interest) of the tax collected in excess of that applicable to transportation which begins on or after November 16, 1962, shall be allowed to the person who collected the tax as if such credit or refund were a credit or refund under the applicable provision of the Internal Revenue Code of 1954, but only to the extent that, before the time such transportation has begun, he has repaid the amount of such excess to the person from whom he collected the tax, or has obtained the consent of such person to the allowance of the credit or

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EXHIBIT 90

Document in handwriting of V.E. Ferrall

**Congress of the United States**

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

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Local telephone service. For the purposes of this subchapter the term "local tel. service" means

(1) the access to a local telephone system and the privilege of telephonic (quality) communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system,

which is provided in connection with a telephone or radio telephone station constituting a part of such local tel. system, and

(2) any ~~[illegible]~~ facility or service provided in connection with a service described in paragraph (1)

to which the subscriber is entitled upon payment of a charge or charges provided in a local exchange tariff and without payment of a toll charge.

The term local tel. service does not include any service which is a private communication service as defined in subsection (d)

(b) Toll telephone service. For the purposes of this subchapter the term "toll tel. service"

E964
Exhibit 90

Congress of the United States
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

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EXHIBIT 96
January 28, 1966 letter from
A.L. Stott to W.D. Mills

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY, NEW YORK N.Y. 10007

AREA CODE 212 393-2183

**ALEXANDER L. STOTT**
VICE PRESIDENT AND COMPTROLLER

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
96

January 28, 1966

The Honorable Wilbur D. Mills
Chairman, Committee on Ways and Means
House of Representatives
Washington, D. C.

My dear Mr. Mills:

This statement is respectfully submitted on behalf of the telephone companies of the Bell System to express our regret that the Administration has recommended increasing the excise tax on local and long distance telephone and teletypewriter services.

The action of the 89th Congress in reducing this tax from 10% to 3%, effective January 1 this year, and providing for its elimination by 1969, was most welcome news to the Bell System's 45 million residential and business customers. Year after year, as the tax was extended, they had patiently awaited its removal. During the past month they have all been notified that the direct benefits of the long-awaited reduction are now at hand. We are sure there is widespread recognition of the country's need for additional revenues during the Viet Nam emergency. On the other hand, there will be keen disappointment among our customers that reimposing the full 10% tax on telephone service has been chosen as a means of obtaining a substantial portion of these revenues.

Exhibit 96

If excise taxes on telephone service are to be increased in the present emergency, we earnestly request the emergency and temporary nature of the increase be made clear in the committee reports accompanying the legislative proposal and that specific provision be made to restore the present schedule of rate reductions not later than the January 1, 1968 date recommended by the Administration. If additional revenues are still needed beyond that date, a solution other than continuing a discriminatory tax on telephone service should be found.

We have previously testified before your committee on a number of occasions urging the repeal of the telephone excise tax. The principal reasons we submitted in support of the repeal were: (1) the impact of the tax is heaviest on lower income groups, (2) the tax is levied on a necessity, (3) telephone service is the only household utility service on which a federal excise tax is still imposed, (4) the tax adds to an already heavy tax burden carried by users of telephone service and (5) it has been emphatically indicated that the public generally regards this tax as unfair and discriminatory, especially as it applies to a service that is an essential, not a luxury. These reasons are equally applicable today.

We earnestly hope that whatever action is taken, your committee will give full recognition to the discriminatory nature of this undesirable tax.

Sincerely yours,

A. L. Stott

Vice President and Comptroller

E967
EXHIBIT 97
February 25, 1966 letter from
A.L. Stott to R.B. Long

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY, NEW YORK 7, N. Y.

AREA CODE 212 393-2183

ALEXANDER L. STOTT
VICE PRESIDENT AND COMPTROLLER

PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
97

February 25, 1966

The Honorable Russell B. Long
Chairman, Senate Finance Committee
Washington, D. C.

My dear Mr. Long:

This statement is respectfully submitted on behalf of the telephone companies of the Bell System to express our regret that an increase in the excise tax on local and long distance telephone and teletypewriter services is under consideration by the Congress.

The proposed increase in the telephone excise tax contained in the Tax Adjustment Act of 1966 (H.R. 12752) will again postpone the direct benefits of the recently enacted tax reduction which the 45 million residential and business customers of the Bell System have waited so long to receive. We fully recognize the country's need for additional revenues during the Viet Nam emergency, but there will be keen disappointment among our customers that reimposing the full 10% tax on telephone service has been chosen as a means of obtaining a substantial portion of these revenues.

If excise taxes on telephone service are to be increased in the present emergency, we earnestly request that the emergency and temporary nature of the increase be made clear in the committee reports accompanying the legislative proposal. The bill as passed by the House of Representatives would provide for a reduction of the proposed 10% rate to 1% for the last 9 months of 1968, and for complete elimination by 1969. If the 10% rate is reinstituted, we strongly urge that the tax on telephone service be entirely repealed effective April 1, 1968, inasmuch as the revenue effect would be relatively minor and such action would eliminate the cost of billing, collecting and remitting the tax. If additional revenues are still needed beyond that date, a solution other than continuing a discriminatory tax on telephone service should be found.

Exhibit 97

We have previously testified before your committee and before the Ways and Means Committee on a number of occasions urging the repeal of the telephone excise tax. The principal reasons we submitted in support of the repeal were: (1) the impact of the tax is heaviest on lower income groups, (2) the tax is levied on a necessity, (3) telephone service is the only household utility service on which federal excise tax is still imposed, (4) the tax adds to an already heavy tax burden carried by users of telephone service and (5) it has been emphatically indicated that the public generally regards this tax as unfair and discriminatory, especially as it applies to a service that is an essential, not a luxury. These reasons are equally applicable today.

We earnestly hope that whatever action is taken, your committee will give full recognition to the discriminatory nature of this undesirable tax.

Sincerely yours,

A L Stott

Vice President and Comptroller

E969
EXHIBIT 98
August 10, 1967 letter from
H.I. Romnes to W.D. Mills

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY, NEW YORK, N.Y. 10007

AREA CODE 212 393-1000

H. I. ROMNES
CHAIRMAN OF THE BOARD

8-10-6
8-11-6

August 10, 1967

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EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
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The Honorable Wilbur D. Mills
Chairman, Committee on Ways and Means
House of Representatives
Washington, D. C.

Dear Sir:

I am writing to express my views and those of American Telephone and Telegraph Company concerning President Johnson's August 3, 1967 tax message to the Congress.

The "hard and inescapable facts" for fiscal 1968 spelled out by the President clearly show that decisive action must be taken to prevent a crippling deficit in the Federal budget. The message stresses the need for rigid control of expenditures at the Federal level. In my view, such control is essential to confirm the sincerity and the urgency for voluntary constraints by all segments of the economy. Spending priorities should be established, and there should be significant and sustained reductions in non-defense spending during the current emergency. Failure to fulfill this commitment at the Federal level would jeopardize the anti-inflation program and invite action by labor, business and consumers which would fan the flames of inflation.

We abide by the decision of government financial experts that temporary tax increases should be an integral part of the program. Considering the many unattractive options available, we concur in the view that a tax surcharge, imposed at equal rates on business and personal income taxes is an appropriate method of raising the revenues needed during this emergency period. However, we are opposed to the imposition of these tax increases on a retroactive basis. Business has made plans, expenditures and commitments and has paid dividends based on current levels of taxation. A retroactive tax increase would distort business operations, and would have an adverse effect on the tax base and on the economy.

We regret that the scheduled reductions in the excise tax on local, long distance and teletypewriter services are again proposed to be postponed. The timing of the proposed postponement is particularly unfortunate. A continuation of the 10% levy will restrain the hoped for stimulation in the use of communications service. The anticipated gross Federal revenue gain

Exhibit 98

from a continuation of this tax should be considered in the light of the discriminatory nature of the tax, its heavy impact on lower income groups, the revenue loss from the deductibility of this tax as a business expense, and the repressive effect on the tax base of the communications companies.

If the excise tax reduction is to be postponed, however, we earnestly urge that its emergency and temporary nature be clearly recognized in the reports accompanying the legislative proposal and that a specific termination date be provided in the law.

It is our view that the goal sought to be accomplished by the President can be achieved, but only with full cooperation at the Federal level through a careful and meaningful restraint on Federal spending.

There is another matter related to Federal revenue which I would like to mention. Recent Federal regualtory action has been directed toward requiring regulated industries to use accelerated tax depreciation even though such action is contrary to the judgment of management. The additional depreciation deductions, of course, would substantially reduce Federal revenues. However, this represents only a portion of the total loss which would be sustained by the Federal treasury. An additional reduction would be accomplished under this regulatory process by treating the reduced tax payments of such companies (as well as those of many companies currently claiming accelerated tax depreciation) as "tax savings". These "savings" would be used to reduce the revenue requirements of the regulated companies, which of course, would further reduce taxable income. At a 50% tax rate, each dollar of additional tax depreciation could be used to reduce revenue requirements of the company by one dollar; and the entire dollar would come from the Federal treasury. This loss in Federal revenues could amount to billions of dollars over the next several years.

H.R. 12175 recently introduced by Representative Watts, (D-Ky.) to clarify the congressional intent in permitting the use of accelerated depreciation would prevent substantial revenue loss to the government. We would appreciate the opportunity to discuss this matter with you.

Sincerely,

/s/ H. I. Romnes

E971
EXHIBIT 99
February 6, 1968 letter from
H.I. Romnes to W.D. Mills

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY, NEW YORK, N.Y. 10007

AREA CODE 212 393-1000

H. I. ROMNES
CHAIRMAN OF THE BOARD

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U. S. DIST. COURT
S. D. OF N. Y.
99

February 6, 1968

The Honorable Wilbur D. Mills
Chairman, Committee on Ways and Means
House of Representatives
Washington, D. C.

Dear Mr. Mills:

I have been following closely the accounts of the hearings on the President's tax program before your Committee, and I feel it is important to write to you regarding the proposed continuation of the 10% excise tax on telephone and teletypewriter services beyond April 1, 1968, which is the date under existing law that the rate is scheduled to drop to 1%, terminating entirely on January 1, 1969.

As you will recall, following President Johnson's tax message to the Congress last summer, I wrote to you on August 10, 1967 expressing my concern over the proposal to postpone the termination of the excise tax on telephone and teletypewriter services. I urge once again that the negative and harmful aspects of this excise tax not be overlooked -- its discriminatory nature, its regressive impact on lower income groups and its repressive effect on consumer demands for communications services at prices increased by the tax.

If this 10% rate on telephone service and teletypewriter service is to be continued beyond April 1, as recommended in the Administration's tax program now before your Committee, I hope in any event that the Committee reports accompanying such legislation will clearly recognize it as an emergency continuation measure only.

I would urge, in fact, that any bill that continues the 10% rate into 1969 provide for complete elimination of the tax on July 1, 1969, in lieu of a step reduction to a 1% rate on that date as proposed by the Administration.

Sincerely,

H. I. Romnes

E972
EXHIBIT 100
May 21, 1969 letter from
A.L. Stott to W.D. Mills

USA 33a-4/5
(ED. 4-23-71)

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EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

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FPI-MI—9-24- 6-50M-4417

May 21, 1969

The Honorable Wilbur D. Mills
Chairman, Committee on Ways and Means
House of Representatives
Washington, D. C.

Dear Mr. Mills:

This statement is respectfully submitted on behalf of the telephone companies of the Bell System to express our regret that the Administration has again proposed extension of the excise tax on telephone service.

We have previously testified before your committee on a number of occasions urging repeal and termination of this tax. The principal reasons we submitted in support of this repeal were: (1) the impact of the tax is heaviest on lower income groups, (2) the tax is levied on a necessity, (3) telephone service is the only household utility service on which a Federal excise tax is still imposed, (4) the tax adds to an already heavy tax burden carried by users of telephone service and (5) it has been emphatically indicated that the public generally regards this tax as unfair and discriminatory, especially as it applies to a service that is an essential, not a luxury. These reasons are equally applicable today. However, if this tax must be again extended, we urge that a termination schedule, such as that contained in present law, be enacted as part of any extension legislation.

We earnestly hope that, whatever action is taken, your committee will give full recognition to the discriminatory nature of this undesirable tax.

Sincerely yours,

A. L. STOTT

E973
EXHIBIT 101
September, 1970 statement of R.N. Flint
to House Committee on Ways and Means

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EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
101

# EXCISE TAX ON COMMUNICATION SERVICES

Statement of American Telephone and Telegraph Company
Before the Committee on Ways and Means of the House of Representatives
September 1970

I am Robert N. Flint, Assistant Treasurer of American Telephone and Telegraph Company, and I am appearing today on behalf of the companies which comprise the Bell System. Our statement is directed toward the proposal presently before your Committee which seeks another postponement in the reduction in communications excise tax rates.

I want to emphasize that we fully recognize the Federal Government's need for revenue, and that the reduction in telephone excise taxes scheduled for January 1, 1971 is a substantial revenue loss to be absorbed in a single year. By the same token, this is an undesirable and discriminatory tax, recognized as such by this Committee, and it should be eliminated over some reasonable period of time.

Our appearance here today is on behalf of our customers - the consumers who must pay this tax, and our investors, who must bear the impact of the discriminatory burden imposed on the competitive segments of our business.

Our objective is to find a way in which this tax on the consumers of our service can be eliminated without major impact on Federal revenues in any one year.

The telephone excise tax rate is 10 per cent. Under existing provisions of the law, this 10 per cent rate is scheduled to be reduced to 5 per cent on January 1, 1971, 3 per cent on January 1, 1972, 1 per cent on January 1, 1973, and to terminate effective January 1, 1974.

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Exhibit 101

Continuously since 1965, the excise tax law has contained schedules which have provided for the reduction and eventual elimination of this tax. In each of these schedules, the size of the rate reduction for the first year was substantial, ranging from 50 per cent to 90 per cent. These scheduled reductions have been postponed on four separate occasions, and the Administration's current proposal seeks a further postponement. In each instance, the substantial revenue loss for the first year has been a forceful consideration for postponement. These successive postponements have the effect of continuing, unabated, as part of our permanent tax system a tax which is widely recognized as undesirable.

The undesirable and discriminatory characteristics of this tax were recognized in the Report submitted by this Committee in its consideration of the Excise Tax Reduction Act of 1965. This comprehensive review of the entire field of excise taxes resulted in the repeal of the excise taxes on many items, such as jewelry, furs, sporting equipment, club dues, and radio and television sets. This Act also was designed to repeal the tax on communications service. However, an immediate elimination of the tax on communications would have been a serious drain on the Government's revenues, and therefore a scheduled "step-by-step" reduction was adopted to spread the impact over a four year period.

The key question therefore is not whether this tax is a desirable permanent part of the tax structure - your Committee has concluded that it is not. Rather it is a practical question: how the reduction in the tax can be structured so that the tax will be eliminated in an orderly and acceptable manner.

**Exhibit 101**

We think the approach of scheduled rate reductions, compared with total elimination of the full 10 per cent rate in a single year, made a good deal of sense. But it is evident that the Administration and Congress have found reductions of the tax rate from 10 per cent to 5 per cent or less to be an unacceptable drain on the Government's revenues. We are faced with this very concern today. Therefore, it is apparent that an acceptable solution should accomplish two goals, first, it should provide for the elimination of the tax, and second, it should avoid a substantial revenue loss in any one year.

At present levels, a step reduction from 10 per cent to 5 per cent would reduce annual excise tax revenues for the total communications industry by some $800 million. Clearly this is a significant amount to withdraw from the national tax revenues in any one year and a more moderate step-by-step reduction in the tax rate is indicated. The attached table shows the potential revenue reduction - year over year - if the tax rate schedule were modified to provide for only a single percentage point reduction over a ten year period. This table, which assumes an annual 8 per cent growth in taxable revenues, indicates that the excise tax revenue loss to the Federal Treasury in the first year would be $45 million. A gradual rate reduction schedule of this type would permit the Government to plan for the elimination of this undesirable and discriminatory tax through small and acceptable annual tax reductions over a ten year span.

In recommending this lengthened rate reduction schedule, we recognize that it puts off the day when this tax ultimately will be eliminated from our tax system. In light of experience, however, we have been forced to conclude that a lengthened schedule of this sort is the only realistic solution.

Exhibit 101

I wish to emphasize that we are not seeking special treatment or preferences in submitting this proposal. But a tax which discriminates against the user of telephone services should be eliminated as soon as it is feasible to do so.

I have mentioned the adverse effects of the excise tax on the competitive segments of our business. The current trend is to open up the communications business to more and more competition - as evidenced by recent regulatory decisions which offer communications users an alternative to services furnished by the telephone companies - and this creates new situations where the excise tax discriminates against the use of services furnished by the telephone companies. The problem of competition was recognized in the Excise Tax Reduction Act of 1965 which eliminated from tax certain categories of service which were in direct competition with private communications systems.

New areas of competition have been created since the passage of that Act. Under new interconnection policies, our customers may now connect their own lines and terminal equipment to our network, rather than using facilities furnished by the telephone companies. Since the customer-provided facilities are not subject to the excise tax, the services offered by the telephone companies are faced with a new form of competition. In view of the rapid advances in communications made possible through modern technology, competition with our services can be expected to expand, making it even more imperative that this discriminatory tax be removed.

We are not at this time asking for any additional exemptions because our primary concern is to have this discriminatory tax phased out

Exhibit 101

as soon as practicable. We recommend that this be accomplished by reducing the tax rate by one percentage point each year, starting January 1, 1971, with final repeal to be effective January 1, 1980. In our view this program would be in the national interest, and we urge that action be taken now to accomplish this goal.

Thank you for the opportunity to appear here today.

E978
Exhibit 101

## FEDERAL EXCISE TAX ON COMMUNICATION SERVICES
## POTENTIAL REVENUE REDUCTION TO U.S. TREASURY

(Millions of Dollars)

| | Present Law | | | Alternative Proposal | | |
|---|---|---|---|---|---|---|
| Rate Reduction Year | Rate | Taxes Collected | Tax Reduction from Preceding Year | Rate | Taxes Collected | Tax Reduction from Preceding Year |
| 1972 0 | 10% | 1,600 /1 | - 0 - | 10% | 1,600 /1 | - 0 - |
| [illegible] 1 | 5% | 864 /2 | 736 | 9% | 1,555 /2 | 45 |
| [illegible] 2 | 3% | 560 | 304 | 8% | 1,493 | 62 |
| [illegible] 3 | 1% | 202 | 358 | 7% | 1,411 | 82 |
| 4 | - | - | 202 | 6% | 1,306 | 105 |
| 5 | - | - | - | 5% | 1,175 | 131 |
| 6 | - | - | - | 4% | 1,016 | 159 |
| 7 | - | - | - | 3% | 823 | 193 |
| 8 | - | - | - | 2% | 592 | 231 |
| 9 | - | - | - | 1% | 320 | 272 |
| 10 | - | - | - | - | - | 320 |

/1 - Estimate of current annual excise tax revenues for the total communications industry (Bell System plus independent telephone companies), prepared by Joint Committee on Internal Revenue Taxation.

/2 - Estimated annual excise tax revenues for each of the rate reduction years assuming an annual 8% growth factor.

E979
EXHIBIT 102
June 21, 1965 letter from V.E. Ferrall
to General Counsel

New York 7, N. Y.
June 21, 1965

E978
Exhibit 101

TO ALL GENERAL COUNSEL:

The Excise Tax Reduction Act of 1965, which was signed by President Johnson on June 21, 1965, contains a number of provisions which will affect Bell System companies. As soon as they are available, this office will forward to you copies of the Act and Committee Reports. You will also receive a memorandum prepared by this office explaining the amendments to the communications excise tax law. For your information in the interim, enclosed is a comprehensive list of services offered by Bell System companies with their preliminary classification under this Act.

Our memorandum will contain a full explanation of the communications excise tax amendments. Briefly, however, these amendments apply to amounts paid pursuant to bills rendered on or after January 1, 1966 for services rendered on or after November 1, 1965. The rate of tax will be 3%, 2% and 1% for amounts paid pursuant to bills first rendered on or after January 1, 1966, January 1, 1967 and January 1, 1968, respectively; the tax will not apply to amounts paid pursuant to bills first rendered on or after January 1, 1969. Only payments for communications services defined as "local telephone service," "toll telephone service" or "teletypewriter

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Exhibit 102

exchange service" will be subject to the tax. Amounts paid for "private communication service" will not be subject to tax. In general, this means that amounts paid for local exchange telephone service, toll telephone service, WATS, and teletypewriter exchange service, as those terms are known in our industry, will be subject to tax; amounts paid for private lines, or private intercommunication systems (such as payments for PBX switching and stations, or restricted Centrex stations) will not be subject to tax.

Congress, in providing for the redefinition of taxable communication services and the reduction and then the repeal of the communications excise tax, expressed the view that the tax was regressive, discriminatory and undesirable. Congressional intent would be thwarted by the enactment of new state and local taxes on telephone service. However, there have been questions raised concerning the possibility of state and local action in this area. We, of course, stand ready to work with your office should this problem arise. We shall forward to you any available material that may be of assistance in this respect.

Mr. E. R. Charvat (212 - 393-4321) of this office will be available to discuss with your people any questions they may have concerning the Excise Tax Reduction Act of 1965.

VICTOR E. FERRALL
General Tax Attorney

Attachment

E981
Exhibit 102

## FEDERAL EXCISE TAX CLASSIFICATION OF COMMUNICATION SERVICES

| Communication Service | Tax Status * |
|---|---|
| Additional Channel Charges | NT |
| Additional Listings, Directory | T |
| Air to Ground Messages (See Messages, Radiotelephone) | |
| Announcement Service (Time, Weather, etc.) | T |
| Answering and Recording Service | E |
| Artificial Larynx | NT |
| Automatic Answering and Recording Service | E |
| Automatic Call Distributors | T |
| Automatic Dialing Equipment | E |
| Bellboy (See Radiotelephone Service) | |
| Boldface Type, Directory | NT |
| Burglar Alarm Service | NT |
| Buzzer Systems | NT |
| Call Directors | E |
| Card Dialer Index Cards | NT |
| Centrex Service: | |
| Restricted | NT |
| Unrestricted | T |
| Change Charges | NT |
| Channels (See Service Identified with Channel) | |
| Coastal Harbor Service (See Radiotelephone Service) | |
| Coin Telephone Service (See Public and Semipublic) | |
| Color Instrument Charge, Princess (Nonrecurring Charge) | NT |
| Common Control Switching Arrangement | NT |
| Community Antenna TV Systems | NT |
| Concentrator-Identifier Equipment | NT |
| Conduit Space, Rental of | NT |
| Conference Connection Charges | T |

* T - Taxable
NT - Nontaxable

E - Nontaxable if associated with a private line or PBX System. Taxable if associated with business or residence main service.

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Exhibit 102

## Communication Service

| | Tax Status* |
|---|---|
| Connecting Arrangement Charges | NT |
| Construction Charges | NT |
| Contract Termination Charges | NT |
| Control Channels (See Remote Control) | |
| Customer Deposits | NT |
| DATAPHONE Service (Equipment Only) | NT |
| DATASPEED (Equipment Only) | NT |
| Data Sets, Private Line | NT |
| Deposits | NT |
| Detailed Billing | NT |
| Dial Communication Systems | NT |
| Dial Signaling | NT |
| Direct Dispatch Service (See Radiotelephone Service) | |
| Directory Advertising | NT |
| Directory Listings: | |
| Additional Listings, Telephone | T |
| Additional Listings, Teletype | T |
| Alternate Call Numbers | T |
| Bold Face | NT |
| Cross Reference | T |
| Extra Line | T |
| Foreign | T |
| If No Answer | T |
| Night, Sunday and Holiday | T |
| Non-Published | T |
| Special Reversed Charge | T |
| Directory, Rental or Sale of | NT |
| Dispatch Service (See Radiotelephone Service) | |

* T - Taxable
NT - Nontaxable

E - Nontaxable if associated with a private line or PBX System. Taxable if associated with business or residence main service.

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Exhibit 102

| Communication Service | Tax Status * |
|---|---|
| Enterprise (See Special Reversed Charge Toll Service) | |
| Exchange Telephone Service | T |
| Extension, Private Line | NT |
| Extension, Telephone | T |
| Extension, Teletypewriter | T |
| Extension, Teletypewriter, Receive only | NT |
| | |
| Farmer Line Service (See Service Stations) | |
| Farm Interphone | NT |
| Floor Space Rental | NT |
| Foreign Exchange Service: | |
| Channel Mileage | NT |
| Local Exchange Service | T |
| | |
| High Seas Messages (See Messages, Radiotelephone) | |
| Home Interphone | NT |
| | |
| Installation Charges | NT |
| Institutional Centrex | T |
| Interior Communication Systems | NT |
| | |
| Jack and Plug Charges (Nonrecurring) | NT |
| Joint User Service | T |
| | |
| Key Cabinet | E |
| Key Telephone | E |
| | |
| Lines (See Service Identified with Line) | |
| Local Exchange Service | T |
| Locality Rate Charge | T |
| Long Distance Terminals (See Toll Terminals) | |
| Loud Speaker Systems | NT |

* T - Taxable
NT - Nontaxable

E - Nontaxable if associated with a private line or PBX System. Taxable if associated with business or residence main service.

E984
Exhibit 102

| Communication Service | Tax Status * |
|---|---|
| Maintenance Charges | NT |
| Message Charges: | |
| Bellboy | NT |
| Conference | T |
| Interzone | T |
| Local | T |
| Radiotelephone | |
| Air to Ground | T |
| Coastal Harbor | T |
| Dispatch, Local | T |
| Dispatch, Toll | T |
| High Seas | T |
| Overseas | T |
| Urban and Highway, Local | T |
| Urban and Highway, Toll | T |
| VHF Maritime, Local | T |
| VHF Maritime, Toll | T |
| Service Stations | T |
| Special Reversed Charge Service | T |
| Teletypewriter Exchange Service | T |
| Toll | T |
| Toll Station | T |
| Messenger Service | NT |
| Metering (See Remote Metering) | |
| Mileage (See Service Identified with Mileage) | |
| Mobile Radio Service (See Radiotelephone Service) | |
| Moves and Rearrangements | NT |
| Music Channels (Coin Operated System) | NT |
| Off-Line Equipment | NT |
| Off-Premise Extensions | E |

* T - Taxable
NT - Nontaxable

E - Nontaxable if associated with a private line or PBX System. Taxable if associated with business or residence main service.

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Exhibit 102

| Communication Service | Tax Status * |
|---|---|
| Order Receiving Service | NT |
| Order Turrets | NT |
| Personal Signaling Service (See Radiotelephone Service) | |
| Pole Space Rental | NT |
| Princess Telephone (Nonrecurring Charge) | NT |
| Princess Telephone (Monthly Charge) | T |
| Private Branch Exchange: | |
| Switching and Station Charges | NT |
| Trunks | T |
| Private Line, Telephone | NT |
| Private Line, Teletypewriter | NT |
| Program Set-up | NT |
| Program Transmission Channels, Audio | NT |
| Program Transmission Channels, Video | NT |
| Public Telephone Service, Local | NT |
| Public Telephone Service, Toll | T |
| QB Billing | NT |
| Radiotelephone Service Charges (Also See Radiotelephone Message Charges) | |
| Bellboy (Equipment Only) | NT |
| Bellboy (Service Charge) | NT |
| Coastal Harbor | T |
| Direct Dispatch | NT |
| Dispatch | NT |
| Signaling | NT |
| Urban and Highway (General Mobile) | T |
| VHF Maritime | T |
| Rearrangements | NT |
| Recorder Coupler | E |

* T - Taxable
NT - Nontaxable

E - Nontaxable if associated with a private line or PBX System. Taxable if associated with business or residence main service.

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Exhibit 102

| Communication Service | Tax Status * |
|---|---|
| Recording Channels | NT |
| Remote Control Service | NT |
| Remote Metering Service | NT |
| Rentals (Without Line Facilities) | NT |
| Restoral of Service Charge | NT |
| Reversed Charge Toll Service (Service Charge Only) | NT |
| Speaker-Microphone, Home-Bound Students | NT |
| Season Service Charge | T |
| Secretarial Answering Service | NT |
| Semipublic Telephone Service, Local | T |
| Semipublic Telephone Service, Toll | T |
| Service Connection Charge | NT |
| Service Station Charge | T |
| Signaling (See Radiotelephone Service) | |
| Special Recording Trunks (See Toll Terminals) | |
| Special Reversed Charge Toll Service (Service Charge) | NT |
| Substitution Charges | NT |
| Surcharge, Local (Radiotelephone Messages) | T |
| Surcharge, Toll (Radiotelephone Messages) | T |
| Suspension of Service | T |
| Switchboard Communication Systems | NT |
| Switching Arrangements | NT |
| Telephone Sets, Special (Recurring Charge) | E |
| Telephotograph | E |
| Teletypewriter Exchange Service | T |
| Teletypewriter Monthly Service Charge | T |
| Teletypewriter Private Line Service | NT |
| Television Antenna Service (See Community Antenna TV System) | |
| Television Channels | NT |
| TELPAK | NT |
| Terminals, TELPAK | NT |

* T - Taxable
NT - Nontaxable

E - Nontaxable if associated with a private line or PBX System. Taxable if associated with business or residence main service.

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Exhibit 102

| Communication Service | Tax Status * |
|---|---|
| Terminals, Tie Line | NT |
| Tie Line | NT |
| Time of Day (See Announcement Services) | |
| Toll Stations | T |
| Toll Telephone Messages | T |
| Toll Terminals | NT |
| Touch-Tone Calling | T |
| VHF Maritime Service (See Radiotelephone Service) | |
| Video Channels | NT |
| WATS | T |
| Weather (See Announcement Services) | |
| Wired Music Channels (Coin Operated Systems) | NT |
| Wiring Plans | T |
| Zone Rate Charges | T |

* T - Taxable
NT - Nontaxable

E - Nontaxable if associated with a private line or PBX System. Taxable if associated with business or residence main service.

EXHIBIT 106
September 3, 1965 letter from V.E. Ferrall
to General Counsel

New York, N. Y.
September 3, 1965

TO ALL GENERAL COUNSEL:

Attached is a copy of an announcement, sent by Assistant Comptroller Flint to all Comptrollers, of two conferences to be held in New York. The principal purpose of each is to review changes in the Federal communications tax made by the Excise Tax Reduction Act of 1965, but state and local taxes on telephone service will also be discussed. Mr. Charvat, and possibly others from this office, will participate in the conferences.

I am calling this announcement to your attention with the hope that you will designate a member of your staff to attend one or the other of these two conferences with representatives of your Company's Accounting, Marketing, Commercial, and Rate organizations. These conferences afford an opportunity to discuss common problems and to coordinate the efforts of the various organizations in the resolution of problems that will arise in connection with interpretation of the new Federal law and any proposals that may be made for new or additional state and local taxes on telephone service.

Please let me know who will represent your staff at one of these conferences.

VICTOR E. FERRALL
General Tax Attorney

Attachment

USA 53a-475
(ED. 4-23-71)
PLAINTIFF
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
106

E989
Exhibit 106

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY, NEW YORK, N.Y. 10007

AREA CODE 212 393-3532

ROBERT N. FLINT
ASSISTANT COMPTROLLER

September 3, 1965

As work has progressed on implementation of the communications excise tax changes enacted by Congress this year, it has become increasingly apparent that extensive changes will be required in the telephone companies' approach to the administrative aspects of the job. As noted in our June 23 letter on the subject, in addition to the rate changes a number of services have been removed from the tax base effective January 1, 1966. In order that these nontaxable services may be handled properly and uniformly, it is important that there exist in the companies a thorough knowledge of the new rules.

Accordingly, the Excise Tax Manual is undergoing extensive revision, with a target date of October 1 for a completed draft. In addition, however, it is our opinion that meetings with System people responsible for the interpretation functions would be desirable. We have therefore tentatively scheduled two sessions, one on October 6 and 7, and a second on October 13 and 14, both to be held here in New York.

Interest in participating in these meetings has been expressed by our Legal, Marketing, Commercial and Rates organizations here at 195, and they have indicated a desire to have their Associated Company coordinates attend. We believe that an interdepartmental approach will be most helpful, and are preparing an agenda with this in mind.

Our present plans call for the first day to be devoted to a discussion of the provisions of the new law, application of the tax to specific services and the use of the Manual as a working tool. In addition, there will be a review

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Exhibit 106

of a new procedure which involves associating the excise tax classification with the Uniform Service Order Code. Concluding the first day's agenda will be a discussion of state and local excise and sales taxes on telephone service. This is an increasingly important area and we feel that the Accounting Department tax people can be of considerable service to their companies in this connection.

The morning of the second day has been set aside for departmental meetings to discuss specific aspects of the tax job as related to departmental functions. The full group will convene in the afternoon to resolve questions both as to interpretations and as to departmental responsibilities and operations.

These sessions will not to any significant degree duplicate the Accounting Operations meetings which were held the week of August 23. However, conclusions reached on operating aspects will be summarized as a matter of general information.

Will you please let me know by September 10 whether you would be interested in having one or more representatives attend one of the proposed meetings. Organizational level of those selected would be left entirely to your discretion.

Participation by other departments will be handled by the corresponding departments here at 195. However, the view has been expressed that maximum value from the meetings can be gained if all departments of a given company attend the same meeting. It would be appreciated if the Accounting representative acted as coordinator in this matter.

Yours very truly,

RN Flint

Assistant Comptroller

To all Comptrollers
(Except Non-operating
Subsidiaries and
Bell of Canada)

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EXHIBIT 108A
Document entitled "Conference on
Communications Taxes"

Southwestern Bell Telephone Co.
FILE NO.
4.02 FEDERAL
EXCISE TA
General Legal Dept.

Comptroller's Department - General Tax Section

# CONFERENCE ON COMMUNICATIONS TAXES

NEW YORK
October 6 & 7
October 13 & 14

USA 33s-475
(ED. 4-23-71)
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EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
108A ef
FPI-MI—9-24-75-5CM-1417

**American Telephone & Telegraph Company**
195 Broadway, New York, N.Y. 10007

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Exhibit 108A

## Excise Tax Meeting
## October 13 & 14, 1965
## American Telephone and Telegraph Company Participants

### Comptrollers Department

Robert N. Flint, Assistant Comptroller
Walter L. Kidd, General Tax Accountant
Carl E. Erickson, Supervising Tax Accountant
Raymond A. Rathka, Tax Accountant
Richard H. Popp, Tax Accountant
Byron R. Parrish, Data Systems Representative

### Legal Department

Ernest R. Charvat, Tax Attorney

### Marketing Department

Ralph M. Schultz, Marketing Analysis Supervisor
Merle C. Conley, Product Analysis Supervisor

### Operations Department

James F. Gallagher, Commercial Methods Supervisor

### Planning Department

Robert D. Weber, Exchange Rate Supervisor

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Excise Tax Meeting
October 13 & 14, 1965
Associated Company and Long Lines Participants

## New England Telephone and Telegraph Company

J. D. Shaw, Jr. - Legal
R. P. Perkins - Rates
C. J. Morgan - Sales
J. F. Kelly - Coml.
C. C. Herlihy - Acctg.
F. H. Norton - Acctg.
A. D. Dallas - Acctg.

## The Chesapeake and Potomac Telephone Companies

H. W. Lewis - Legal
N. J. McDonnell - Acctg.
M. G. Kay - Mktg.

## The Chesapeake and Potomac Telephone Company

C. B. Blomquist - Mktg.

## The Chesapeake and Potomac Telephone Company of Virginia

B. Smither - Compt.
R. L. Irby - Compt.
M. E. Eike - Rate-Coml.
H. L. Marchant - Mktg.

## The Chesapeake and Potomac Telephone Company of West Virginia

J. A. York - Acctg.
J. D. Turner - Acctg.
G. W. Thompson - Coml.
J. J. Pope - Mktg.

## Southern Bell Telephone and Telegraph Company

T. A. Romano - Acctg.
R. D. Johnston - Acctg.
D. M. Byrd, Jr. - Legal
J. A. Jacobs - Treas.
M. M. Alexander - Coml.
W. K. Allen - Mktg.
W. C. Williams - Mktg.
J. E. Warren - Coml.

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## The Ohio Bell Telephone Company

- H. A. Sullivan - Acctg.
- C. F. Hurd - Acctg.
- R. H. Woodward - Acctg.
- A. Rice (Mrs.) - Coml.
- J. Heisserer (Miss) - Coml.
- R. McClain - Rates-Rev.
- W. E. McGriffin - Mktg.
- A. E. Acklin - Legal

## Michigan Bell Telephone Company

- K. L. Abbott - Compt.
- D. E. Brown - Legal
- E. J. Arkles - Mktg.
- L. D. Stader - Coml.
- J. F. Chandler - Planning

## Wisconsin Telephone Company

- K. Corlett - Mktg.

## Illinois Bell Telephone Company

- M. G. Garneau - Mktg.

## Northwestern Bell Telephone Company

- W. H. Olson - Acctg.
- D. Brnki - Coml.
- G. J. Regnier - Mktg.

## Southwestern Bell Telephone Company

- W. Harris - Acctg.
- J. M. Shatto - Legal
- S. Douglas - Rates
- A. J. Fleming - Coml.
- W. Custer - Mktg.

## The Mountain States Telephone and Telegraph Company

- J. F. Maher - Coml.
- S. W. Jensen - Acctg.
- E. L. Robinson - Mktg.

## Pacific Northwest Bell Telephone Company

- D. W. Cumming - Acctg.
- B. Feigenbaum - Legal
- O. H. Winther - Coml.
- J. E. Camden - Admin. Mkt. Anal.

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Long Lines Department

F. J. Rickert, Jr. - Mktg.
A. F. Troyke - Acctg.
J. B. Yard (Miss) - Acctg.
C. R. Sposato (Miss) - Acctg.

Western Electric Company, Incorporated

H. C. Guild - Compt.

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Second Day

9:00 Departmental Meetings (Agendas to be individually prepared).

12:15 Lunch

1:30 Reports by Designated Departmental Representatives on Problems and Suggested Courses of Action.

3:00 Break

3:15 Question Period: Unresolved Problems.

3:45 Wrap-up and Discussion of Departmental Responsibilities

R. A. Rathka
E. R. Charvat
J. F. Gallagher
R. M. Schultz
R. D. Weber

4:30-5:00 Adjournment

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# CONFERENCE ON COMMUNICATION TAXES

## OCTOBER 6-7 AND OCTOBER 13-14

NEW YORK, N. Y.

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# EXCERPTS FROM THE EXCISE TAX REDUCTION ACT OF 1965

## SEC. 302. COMMUNICATIONS TAX.

Subchapter B of chapter 33 (relating to communications taxes) is amended to read as follows:

### "Subchapter B—Communications

"Sec. 4251. Imposition of tax.
"Sec. 4252. Definitions.
"Sec. 4253. Exemptions.
"Sec. 4254. Computation of tax.

### "SEC. 4251. IMPOSITION OF TAX.

"(a) IN GENERAL.—

"(1) Except as provided in subsection (b), there is hereby imposed on amounts paid for the following communication services a tax equal to the percent of the amount so paid specified in paragraph (2):

"Local telephone service.
"Toll telephone service.
"Teletypewriter exchange service.

"The taxes imposed by this section shall be paid by the person paying for the services.

"(2) The rate of tax referred to in paragraph (1) is as follows:

| "Amounts paid pursuant to bills first rendered— | Percent— |
|---|---|
| "During 1966 | 3 |
| "During 1967 | 2 |
| "During 1968 | 1 |

"(b) TERMINATION OF TAX.—The tax imposed by subsection (a) shall not apply to amounts paid pursuant to bills first rendered on or after January 1, 1969.

"(c) SPECIAL RULE.—For purposes of subsections (a) and (b), in the case of communication services rendered before November 1 of any calendar year for which a bill has not been rendered before the close of such year, a bill shall be treated as having been first rendered during such year.

### "SEC. 4252. DEFINITIONS.

"(a) LOCAL TELEPHONE SERVICE.—For purposes of this subchapter, the term 'local telephone service' means—

"(1) the access to a local telephone system, and the privilege of telephonic quality communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system, and

"(2) any facility or service provided in connection with a service described in paragraph (1).

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# EXCISE TAX REDUCTION ACT OF 1965

The term 'local telephone service' does not include any service which is a 'toll telephone service' or a 'private communication service' as defined in subsections (b) and (d).

"(b) Toll Telephone Service.—For purposes of this subchapter, the term 'toll telephone service' means—

"(1) a telephonic quality communication for which (A) there is a toll charge which varies in amount with the distance and elapsed transmission time of each individual communication and (B) the charge is paid within the United States, and

"(2) a service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to the privilege of an unlimited number of telephonic communications to or from all or a substantial portion of the persons having telephone or radio telephone stations in a specified area which is outside the local telephone system area in which the station provided with this service is located.

"(c) Teletypewriter Exchange Service.—For purposes of this subchapter, the term 'teletypewriter exchange service' means the access from a teletypewriter or other data station to the teletypewriter exchange system of which such station is a part, and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations constituting a part of the same teletypewriter exchange system, to which the subscriber is entitled upon payment of a charge or charges (whether such charge or charges are determined as a flat periodic amount, on the basis of distance and elapsed transmission time, or in some other manner). The term 'teletypewriter exchange service' does not include any service which is 'local telephone service' as defined in subsection (a).

"(d) Private Communication Service.—For purposes of this subchapter, the term 'private communication service' means—

"(1) the communication service furnished to a subscriber which entitles the subscriber—

"(A) to exclusive or priority use of any communication channel or groups of channels, or

"(B) to the use of an intercommunication system for the subscriber's stations,

regardless of whether such channel, groups of channels, or intercommunication system may be connected through switching with a service described in subsection (a), (b), or (c),

"(2) switching capacity, extension lines and stations, or other associated services which are provided in connection with, and are necessary or unique to the use of, channels or systems described in paragraph (1), and

"(3) the channel mileage which connects a telephone station located outside a local telephone system area with a central office in such local telephone system,

except that such term does not include any communication service unless a separate charge is made for such service.

**"SEC. 4253. EXEMPTIONS.**

"(a) Certain Coin-Operated Service.—Service paid for by inserting coins in coin-operated telephones available to the public shall not be subject to the tax imposed by section 4251 with respect to local telephone service, or with respect to toll telephone service if the charge for such toll telephone service is less than 25 cents; except that where such coin-operated telephone service is furnished for a guaranteed

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Exhibit 108A

# EXCISE TAX REDUCTION ACT OF 1965

79 STAT. 147.

amount, the amounts paid under such guarantee plus any fixed monthly or other periodic charge shall be subject to the tax.

"(b) News Services.—No tax shall be imposed under section 4251, except with respect to local telephone service, on any payment received from any person for services used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio broadcasting, or in the dissemination of news through the public press, or a news ticker service furnishing a general news service similar to that of the public press, or by means of radio broadcasting, if the charge for such service is billed in writing to such person.

"(c) International, etc., Organizations.—No tax shall be imposed under section 4251 on any payment received for services furnished to an international organization, or to the American National Red Cross.

"(d) Servicemen in Combat Zone.—No tax shall be imposed under section 4251 on any payment received for any toll telephone service which originates within a combat zone, as defined in section 112, from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary or his delegate may by regulations prescribe, is furnished to the person receiving such payment.

"(e) Items Otherwise Taxed.—Only one payment of tax under section 4251 shall be required with respect to the tax on any service, notwithstanding the lines or stations of one or more persons are used in furnishing such service.

"(f) Common Carriers and Communications Companies.—No tax shall be imposed under section 4251 on the amount paid for any toll telephone service described in section 4252(b)(2) to the extent that the amount so paid is for use by a common carrier, telephone or telegraph company, or radio broadcasting station or network in the conduct of its business as such.

"(g) Installation Charges.—No tax shall be imposed under section 4251 on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation.

**"SEC. 4254. COMPUTATION OF TAX.**

"(a) General Rule.—If a bill is rendered the taxpayer for local telephone service or toll telephone service—

"(1) the amount on which the tax with respect to such services shall be based shall be the sum of all charges for such services included in the bill; except that

"(2) if the person who renders the bill groups individual items for purposes of rendering the bill and computing the tax, then (A) the amount on which the tax with respect to each such group shall be based shall be the sum of all items within that group, and (B) the tax on the remaining items not included in any such group shall be based on the charge for each item separately.

"(b) Where Payment Is Made for Toll Telephone Service in Coin-Operated Telephones.—If the tax imposed by section 4251 with respect to toll telephone service is paid by inserting coins in coin-

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E1002
Exhibit 108A

# EXCISE TAX REDUCTION ACT OF 1965

operated telephones, tax shall be computed to the nearest multiple of 5 cents, except that, where the tax is midway between multiples of 5 cents, the next higher multiple shall apply."

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# EXCISE TAX REDUCTION ACT OF 1965

June 21, 1965 - 21 - Pub. Law 89-44
79 STAT. 156.

## SEC. 701. EFFECTIVE DATES.

### (b) FACILITIES AND SERVICE TAXES -

(2) COMMUNICATIONS.—

(A) The amendments made by section 302 (relating to communication services) shall apply to amounts paid pursuant to bills rendered on or after January 1, 1966, for services rendered on or after such date. In the case of amounts paid pursuant to bills rendered on or after January 1, 1966, for services which were rendered before such date and for which no previous bill was rendered, such amendments shall apply except with respect to such services as were rendered more than 2 months before such date. In the case of services rendered more than 2 months before such date, the provisions of subchapter B of chapter 33 of the Code in effect at the time such services were rendered shall apply to the amounts paid for such services.

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Exhibit 108A

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E1005
Exhibit 108A

# EXCERPTS FROM REPORT OF THE SENATE FINANCE COMMITTEE ON THE EXCISE TAX REDUCTION ACT OF 1965

*3. Communications (sec. 302 of the bill and sec. 4251 of the code)*

Under existing law, amounts paid for general telephone, toll telephone, telegraph, teletypewriter exchange, and wire mileage service are taxed at the rate of 10 percent of the amounts paid for the service. A tax at the rate of 8 percent is imposed on amounts paid for wire and equipment service. The tax is paid by the person paying for the service.

(a) *Rates of tax for local telephone service, toll telephone service, and teletypewriter exchange service.*—Your committee agreed with the conclusion of the House that the tax on local and toll telephone service and teletypewriter exchange service is undesirable as a permanent featur[illegible] our excise tax system. This conclusion was reached on the grounds, first, that these taxes are regressive and therefore fall with greater severity on those with low incomes than those with higher incomes. Second, the charges for telephone services enter heavily into business costs. Therefore, the tax discriminates against those

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Senate Finance Committee

firms that must make extensive use of the taxed services. However, while elimination of the tax is desirable on the grounds listed above, since the tax is an important source of revenue for the Federal Government, the reduction should be staged over a period of years. Both versions of the bill, therefore, provide for the repeal of the communications service tax on local telephone service, toll telephone service, and teletypewriter exchange service over a period of 4 years. The first reduction, a substantial one, is a reduction of 7 percentage points effective January 1, 1966. In January of each of the three succeeding years, the rate is reduced by 1 percentage point. No tax, therefore, will apply for the calendar year 1969 and subsequent years. As a result, under both versions of the bill, the rate of tax on the three services will be reduced from the present level of 10 percent to—

3 percent for amounts paid pursuant to bills first rendered on or after January 1, 1966, and before January 1, 1967;

2 percent for amounts paid pursuant to bills first rendered on or after January 1, 1967, and before January 1, 1968; and

1 percent for amounts paid pursuant to bills first rendered on or after January 1, 1968, and before January 1, 1969.

The tax is not to apply to amounts paid pursuant to bills first rendered on or after January 1, 1969.

In applying the new tax rates referred to above, in the case of communication services rendered before November 1 of any calendar year for which a bill has not been rendered before the close of such year, a bill is to be treated as having been first rendered during such year. The existing 10 percent tax rate will continue to apply in the case of bills first rendered before January 1, 1966 (whether the services are rendered before, on, or after such date), and in the case of communication services rendered before November 1, 1965, even though the bill is first rendered on or after January 1, 1966.

The definitions of local telephone service (previously general telephone service), toll telephone service, and teletypewriter exchange service have been updated and modified to make it clear that it is the service as such which is being taxed and not merely the equipment being supplied. Thus, in the case of local telephone service, the definition makes it clear that it is the right of access to a local telephone system and the privilege of telephonic quality communication which is taxed together with facilities or services provided with this service. Toll telephone service is defined as being a telephonic quality communication for which a toll charge is made which varies in amount with the distance and the elapsed transmission time of individual communications, but only if the charge is paid within the United States. Also included in this definition of toll telephone service is WATS (wide area telephone service). This is a long-distance service whereby, for a flat charge, the subscriber is entitled to make unlimited calls within a defined area (sometimes limited as to the maximum number of hours). A teletypewriter exchange service is defined as access from a teletypewriter or other data station to the teletypewriter exchange system of which such station is a part and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations in the same exchange system.

It is estimated that the reduction of the tax rate from 10 to 3 percent effective January 1, 1966, will result in a revenue loss of $639 million in a full year of operation. The elimination of the remaining

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3 percentage points of tax over the next 3 years, it is estimated, will result in an additional revenue loss of $274 million when fully effective.

(*b*) *Private communications services.*—Under present law, a private communications system such as a private line or a private intercommunication system set up for a single subscriber (such as a PBX system or Centrex service) is taxed as a part of general telephone service if the telephones in this system have access to the local exchange system.

This has presented problems under present law because of competition from untaxed private equipment performing similar services. The telephone companies presently are losing intrapremise business (and interpremise business within local areas) to those providing telephone and microwave equipment which can be purchased and operated by the users themselves. Installation of equipment in this manner is accompanied by a reduction in the service from the local telephone company. Businesses installing their own internal communications systems in this manner avoid the tax on the telephone company's charge for both equipment and services. With the ever-increasing number of varied services which modern science makes it possible for telephone companies to provide, the tax on private communication systems represents a severe competitive handicap to the expanded use of these new and varied services.

For the reasons indicated above, both the House bill and your committee's bill provide an exemption from the tax on local telephone service for private communications service if a separate charge is made for this service. It is understood that private lines and PBX systems generally will immediately qualify for this exemption. However, it is understood that Centrex systems—where the switching equipment is generally on the premises of the local exchange rather than on that of the subscriber—generally do not, as yet, provide for a charge which is separate and distinct from that for local telephone service. Until such a separation is made, this exemption, therefore, will not apply in the case of Centrex service.

The definition of a private communication service refers to a communication service where a subscriber is entitled to the exclusive or priority use of a communication channel or groups of channels. This is sometimes referred to as a private line. The reference to an intercommunications system is intended to refer to a private exchange system for a single subscriber and thus to cover private PBX systems (whether or not they have in-dialing). Included in the definition of a private communication system is channel mileage for communication between a telephone station located outside a local exchange system and a central office in such local telephone system, if a separate charge is made for this service.

This exemption is to take effect as of January 1, 1966.

Questions have been raised as to the application of this exemption to so-called answering services where, when the subscriber is not at home, the telephone is answered for him by the answering service. In such cases, it is understood that the line running to the answering service together with the board on which the signal is flashed is usable only for answering the subscriber's telephone. Where this is true, this line and the board provided in connection with it will be exempt from tax as a private communication service.

It is estimated that repeal of the tax on private communication services will reduce revenues by $130 million in a full year of operation.

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(c) *Telegraph service and wire and equipment service.*—Telegraph service presently is subject to a tax of 10 percent of the amount paid while a tax of 8 percent is imposed on wire and equipment service. Wire and equipment service includes stock quotation and information services, burglar alarm and fire alarm service, and similar services.

In the case of telegraph service, the present tax presents an added handicap to an industry which has been experiencing a decline in business for a long period of time. The tax on wire and equipment service not only taxes the communication feature of the service, but other services provided as well. Moreover, in many cases, the services provided are in competition with similar services provided on a tax-free basis.

Because of the factors indicated above, both the House bill and your committee's bill repeal the tax on telegraph service and wire and equipment service effective January 1, 1966.

The repeal of the tax on telegraph service is expected to result in a revenue loss of $17 million a year when fully effective, and the repeal of the wire and equipment service tax is expected to result in an annual revenue loss of $15 million a year.

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# COMMUNICATIONS SERVICES UNDER THE EXCISE TAX REDUCTION ACT OF 1965

## I. Introduction

Section 302 of the Excise Tax Reduction Act of 1965 has amended sections 4251, 4252, 4253 and 4254 of the Internal Revenue Code of 1954 to provide for the repeal of the communications excise tax in four steps, the redefinition of those [illegible]unication services for which payment remains subject to tax until final termination of the tax, and the necessary conforming and clerical amendments to the sections dealing with exemptions and computation of tax.

Section 701(b)(2) of the Act provides that the amendments made by section 302 apply to amounts paid pursuant to bills first rendered on or after January 1, 1966, for services rendered on or after November 1, 1965. Amounts paid for services rendered prior to November 1, 1965 are subject to the communications excise tax law in effect at the time such services were rendered. Section 4251(b) of the Code, as in effect on June 30, 1965 and which provided for the complete repeal of the communications excise tax on general telephone service as of July 1, 1965, has been repealed effective July 1, 1965.

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Section 810 of the Act has amended section 6501 of the Code as it concerns the statute of limitations upon the assessment and collection of excise taxes. This amendment applies with respect to excise tax returns filed on or after July 1, 1965, and is not limited to the communications excise tax but is applicable to all Federal excise taxes.

## II. Rates and Taxable Services - Section 4251

Only payments for those communication services which are defined as "local telephone service," "toll telephone service," or "teletypewriter exchange service" are subject to tax. Amounts paid for these services are subject to the following rates of tax:

| Amounts Paid Pursuant to Bills First Rendered | Percent |
|---|---|
| During 1966 | 3 |
| " 1967 | 2 |
| " 1968 | 1 |
| " 1969 | 0 (tax terminates) |

In the case of communication services rendered before November 1 of any calendar year for which a bill has not been rendered before the close of such year, a

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bill will be treated as having been first rendered during such year. Thus, for example, an amount paid for "toll telephone service" rendered before November 1, 1967 would be subject to tax at the rate applicable during 1967, 2 percent, even though the bill for such service was first rendered during 1968 and the payment was made in 1968. An amount paid pursuant to a bill first rendered in 1967 would be subject to tax at the rate applicable during 1967, 2 percent, even though the service was rendered and payment was made during 1968.

## III. Definitions - Section 4252

### A. In General

Section 4252 defines the terms "local telephone service," "toll telephone service," "teletypewriter exchange service," and "private communication service." An amount paid for a communication service is not subject to the communications excise tax unless the service fits within the definition of "local telephone service," "toll telephone service," or "teletypewriter exchange service." A payment for "private communication service" is not subject to tax. Thus, it seems clear that an amount paid for a service which does not come within any of the definitions in section 4252,

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or which comes only within the definition of "private communication service," is not subject to tax.

In the following discussion of the four terms defined in section 4252, illustrative examples are given. A list of services offered by Bell System companies with their preliminary classification under this Act has been distributed. That list is under review and additions to the list and changes in classification will be made as required.

### B. "Local Telephone Service" - Section 4252(a)

*Section 4252(a)(1).* The term "local telephone service" is defined in paragraphs (1) and (2) of section 4252(a). As defined in paragraph (1) of section 4252(a), the term "local telephone service" means the access to a local telephone system, and the privilege of telephonic quality communication with substantially all persons having telephone or radiotelephone stations constituting a part of such local telephone system. The term does not include any service which is a "toll telephone service" as defined in section 4252(b), or a "private communication service" as defined in section 4252(d).

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Basically, "local telephone service" as defined in paragraph (1) of section 4252(a) is local exchange service as that term is known in the telephone industry. A payment (whether determined as a flat periodic amount, upon the basis of message units or charges per communication, or in some other manner) for local exchange service furnished with a residential or business telephone station, or with a stationary or mobile radiotelephone station, is payment for "local telephone service" since such a payment gives the subscriber the "access" and "privilege" described in paragraph (1) of section 4252(a). This service is local telephone service whether furnished with a main station or an extension station.

The term "local telephone service" is not limited to the basic residential or business telephone service. Any payment of a charge that entitles the subscriber to the "access" and "privilege" described in paragraph (1) of the subsection is a payment for "local telephone service." For example, a payment of a charge for any part of an intercommunication service, such as a Private Branch Exchange system or Centrex service, which is a payment that entitles the subscriber to the "access" and "privilege", is a payment for local

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telephone service; but a payment of a charge for an intercommunication service which does not give the subscriber the "access" and "privilege" is not a payment for a service described in paragraph (1) of section 4252(a). Therefore, the payment of a charge for a PBX trunk which provides the PBX system with local exchange service is a payment for local telephone service; the payment of the separate charges for PBX switching and stations is not a payment for local telephone service defined in paragraph (1) of section 4252(a). Under present tariffs the payment of the charge for unrestricted Centrex stations is a payment which entitles the subscriber to the "access" and "privilege" specified in paragraph (1) of section 4252(a), along with other communication features, and is therefore payment for local telephone service; payment of the charge for restricted Centrex stations, which do not have the "access" and "privilege", is not payment for local telephone service defined in paragraph (1) of section 4252(a).

Even though the payment of the specific charge which entitles the subscriber to "access" and "privilege" also entitles the subscriber to other communication features, as in the case of the payment of

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the charge for unrestricted Centrex stations, the entire payment of the charge is considered a payment for local telephone service; an allocation of the single charge into a portion that is considered to be pertinent to the "access" and "privilege" and a portion that is not, would have no effect on the imposition of the tax. However, were the tariff providing for the single charge changed so that, for example, in place of the single charge for a combination of the "access" and "privilege" with other features of a service, there were two charges, one charge for "access" and "privilege" and one charge for the other features of the service, only the payment of the former charge would be a payment for the service described in paragraph (1) of section 4252(a).

Since paragraph (1) of section 4252(a) does not require that the access to a local telephone system be from a telephone which is a part of that same local telephone system, the language in paragraph (1) of section 4252(a) does describe foreign exchange service. However, since section 4252(d)(3) defines the channel mileage which connects a telephone station located outside a local telephone

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system area with a central office in such local telephone system as "private communication service," if there is a separate charge for such channel mileage, only the payment for the local exchange service charge for foreign exchange service is payment for local telephone service.

Section 4252(a)(2). If a service does not come within the definition of "local telephone service" found in paragraph (1) of section 4252(a), it may come within the definition found in paragraph (2) of that section. Paragraph (2) of section 4252(a) defines as "local telephone service" any facility or service provided in connection with a service described in paragraph (1) of section 4252 (a), but does not include any facility or service which is "toll telephone service" or "private communication service".

Although not a catch-all in express terms, the effect of paragraph (2) is to include within the definition of local telephone service all facilities or services which do not provide the "access" or "privilege" described in paragraph (1) but which are provided in connection with a service defined in paragraph (1), unless such facilities

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or services fall within the definition of toll telephone service or private communication service. If a communication facility or service is not provided in connection with local telephone service described in paragraph (1) of section 4252(a), or, even if so provided, if such facility or service is defined as toll telephone service or private communication service, it does not come within the definition of local telephone service in paragraph (2).

Included within paragraph (2) of section 4252(a) are such communication services as princess phones, color phones, touch-tone, rapid dialers, speaker phones, answering and recording equipment, and special directory listings, when provided in connection with a service described as local telephone service under paragraph (1) of section 4252(a). If such services are not provided in connection with a service described as local telephone service in paragraph (1) of section 4252(a), for example if provided in connection with a private line described in section 4252(d)(1)(A), they are not local telephone service.

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Further, even though a service is provided in connection with local telephone service described in paragraph (1) of section 4252(a), it is not local telephone service under paragraph (2) if the service meets the definition of "toll telephone service" or of "private communication service". For example, although PBX switching and stations may be provided in connection with a PBX trunk coming within the definition of local telephone service in paragraph (1), they are not local telephone service under paragraph (2) because they come within the definition of private communication service in section 4252(d)(1)(B).

C. "Toll Telephone Service" - Section 4252(b)

Section 4252(b)(1). The term "toll telephone service" is defined in paragraph (1) of section 4252(b) as a telephonic quality communication for which there is a toll charge which varies in amount with the distance and elapsed transmission time for each individual communication, and the charge is paid in the United States. Generally, a toll charge is a charge made for a communication beyond the local service area; "message units," which are charges for local telephone service within a local service area, are not considered to be "toll charges". The

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Section-by-Section Analysis, prepared by the Executive Branch, which accompanied the draft legislation transmitted by the President with his message on excise tax recommendations, stated: "This definition is basically the same as present law except for clarifying changes."

Section 4252(b)(2). Paragraph (2) of subsection (b) includes WATS (Wide Area Telephone Service) within the definition of "toll telephone service." Again, as stated in the Section-by-Section Analysis: "Under present law, WATS is classified as 'general telephone service'; it would appear to be more properly classified as 'toll telephone service'."

It is noted that while section 4252(a)(1) and section 4252(b)(1) use the term "telephonic quality communication", section 4252(b)(2) omits the word "quality", and merely reads "telephonic communications". The legislative history of the Act does not indicate that the omission of the word "quality" has any independent significance, and it is our present interpretation that payments for WATS will be treated as payments for toll telephone service whether WATS is used for voice communication or data communication.

Attention is also called to the fact that section 4252(b)(2) refers to "the privilege of an unlimited number of telephonic communications to or

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from . . . ." Thus, toll telephone service as defined in section 4252(b)(2) will include receive-only WATS when and if instituted.

### D. "Teletypewriter Exchange Service" - Section 4252(c)

Section 4252(c) defines "teletypewriter exchange service" as the access from a teletypewriter or other data station to the teletypewriter exchange system of which such station is a part, and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations in the same exchange system. This is teletypewriter exchange service, as that term is known in the industry.

The Section-by-Section Analysis, which accompanied the draft legislation, states that this definition is similar in operation to the definition of "local telephone service". More accurately, however, it is similar in operation to the definition of "local telephone service" as defined in paragraph (1) of section 4252(a), for section 4252(c) has no paragraph similar to paragraph (2) of section 4252(a). Thus, any payment of a charge for a facility or service, provided in connection with teletypewriter exchange service, which does not entitle the subscriber to the "access"

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and "privilege of intercommunication" specified in this subsection, is not a payment for "teletypewriter exchange service". For example, the payment of the charge for an extension receive-only teletypewriter station does not entitle the subscriber to the "privilege of intercommunication" referred to in subsection (c), and therefore is not a payment for "teletypewriter exchange service".

Section 4252(c) expressly provides that the term "teletypewriter exchange service" does not include any service which is "local telephone service" as defined in subsection (a). There is no indication of the Congressional intent behind this provision, and it would appear to have no application to present-day services. However, if there were a service that could come under both subsections (a) and (c), it would be classified only as local telephone service and thus in no way be eligible for the News Services exemption of section 4253(b).

## E. "Private Communication Service" - Section 4252(d)

The President, in his message transmitting proposed recommendations relative to excise taxes (Document No. 173), recommended revision of the tax

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on telephone service so that it will no longer apply to amounts paid for private communications systems even where the private system is linked with the general telephone network. The House Ways and Means Committee and the Senate Finance Committee reported that "Under present law, a private communications system such as a private line, or a private intercommunication system set up for a single subscriber (such as a PBX system or Centrex service) is taxed as a part of general telephone service if the telephones in this system have access to the local exchange system," and recognized that this resulted in a severe competitive handicap to the expanded use of new and varied communication services.

"Private communication service" as defined in section 4252(d) is consistent with the President's recommendation and meets the problem recognized by the House Ways and Means Committee and the Senate Finance Committee, for payment for such service is not subject to tax under section 4251. The term includes within its meaning private intercommunication systems and private lines (regardless of whether such private services may be connected through switching with local telephone service, toll telephone service,

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or teletypewriter exchange service) along with associated services necessary or unique to such private communication services, if a separate charge is made for such services.

The requirement of a separate charge for "private communication service" applies to every paragraph of this subsection. Thus, if the payment of a single charge entitles the subscriber not only to a private line or intercommunication system, but also to local telephone service, toll telephone service, or teletypewriter service, no part of the payment of that single charge will be considered a payment for a private communication service. For this reason, as previously mentioned, payment for an unrestricted Centrex station is payment for local telephone service and not payment for private communication service because the charge for the unrestricted station is not a separate charge for the intercommunication system. A restricted Centrex station is private communication service because there is a separate charge for the intercommunication system.

Section 4252(d)(1)(A) defines private communication service as the communication service which entitles the subscriber to exclusive or priority use

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of any communication channel or groups of channels. Examples are private lines, such as a tie line interconnecting two or more PBX systems, TELPAK, or secretarial lines used to bring the regular telephone service of a Telephone Answering Bureau's client into the Answering Bureau's premises, regardless of whether such channels may be connected through switching with a service described in subsections (a), (b) or (c).

The channel need not be "private" in the sense that only the communications originated by the subscriber may pass over the channel. Thus, a teletypewriter receive-only extension is considered to be private communication service since payment of the separate charge for that service entitles the subscriber to its exclusive or priority use. Receive and send local exchange service telephone extensions and teletypewriter exchange service extensions, however, are not private communication service.

Section 4252(d)(1)(B) defines "private communication service" as a communication service which entitles the subscriber to the use of an intercommunication system for the subscriber's stations. A PBX system and Centrex service are examples of an intercommunication system for the subscriber's stations. As previously mentioned, the trunk providing local exchange service to the PBX

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system is local telephone service under section 4252(a)(1), for payment of the charge for the trunk entitles the subscriber to the "access" and "privilege"; the other charges for a PBX system (e.g., PBX switching and stations) are charges for private communication service.

Although Centrex service is also a private intercommunication system, the single charge for unrestricted stations under present tariffs is in part a charge for the intercommunication system and in part a charge for the "access" and "privilege" specified in section 4252(a)(1); consequently, as previously explained, unrestricted Centrex stations are not private communication service but are local telephone service because there is not a separate charge for an intercommunication system. The separate charge for restricted Centrex stations is not, in any part, a charge for "access" and "privilege", and thus restricted Centrex stations are private communication service.

Section 4252(d)(2). As defined in paragraph (2) of section 4252(d), the term "private communication service" means switching capacity, extension lines and stations, or other associated services which are provided in connection with, and are necessary or

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unique to the use of, channels or systems described in paragraph (1) of this subsection. Although appearing at first to be similar in operation to the definition found in paragraph (2) of section 4252(a), this definition is more restrictive for it contains the requirement that the service be necessary or unique to the use of channels or systems described in paragraph (1), as well as the over-all requirement, previously discussed, that there be a separate charge for the service.

The "necessary or unique" requirement is a new concept in the communications excise tax law and is not explained in the Committee Reports. For this reason, our present interpretation may well be modified as the result of subsequent rulings or regulations relating to this subsection. It is our present interpretation, however, that if a communication service (not defined in paragraph (1)) is provided to a subscriber solely in connection with his use of a private line or intercommunication system coming within the definition of private communication service in paragraph (1), such service is private communication service under paragraph (2). If a service (not defined in paragraph (1)) is provided to a subscriber for his use in connection with a

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service coming within the definition in paragraph (1) of section 4252(d) and also in connection with his use of a service coming within the definition of sections (a), (b) or (c), such service is not private communication service under paragraph (2) of section 4252(d).

For example, a speaker phone provided solely in connection with a subscriber's use of his private line would be necessary or unique to the use of the private line and the payment of the separate charge for the speaker phone would be the payment for a private communication service. If the speaker phone were provided in connection with a subscriber's local telephone service as well as his private communication service, such as where the subscriber's private line terminated in the telephone station furnished with his local exchange service, it is our present view that the payment of the charge for the speaker phone would not be considered to be a payment of a separate charge for a service that was necessary or unique to the use of a private line, and therefore would not be a payment for private communication service.

Common Control Switching Arrangement (CCSA) is private communication service since it is provided

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in connection with, and is necessary or unique to the use of, channels described in paragraph (1).

Concentrator-identifier service (used by Telephone Answering Bureaus) is another example of a service falling within paragraph (2) since it too is necessary or unique to the use of channels described in paragraph (1).

Section 4252(d)(3). As previously mentioned, paragraph 3 of section 4252(d) defines as private communication service the channel mileage which connects a telephone station located outside a local telephone system area with a central office in such local telephone system. A payment for the channel mileage charge for foreign exchange telephone service is payment for "private communication service."

## IV. Exemptions - Section 4253

Except for conforming amendments, the Act continues the exemptions provided under present law. The "News Services" exemption, section 4253(b), is now extended to WATS, because that service (which comes within the definition of the term "general telephone service" under present law) does not come within the definition of the term "local telephone service".

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## V. Computation of Tax - Section 4254

Except for conforming amendments which change the term "general telephone service" to "local telephone service" and delete the reference to "telegraph service", this section is unchanged.

## VI. Statute of Limitations on Assessment and Collection of Excise Taxes

Section 810 of the Act has amended subsections (b) and (e) of section 6501 of the Code. These amendments apply with respect to returns filed on or after July 1, 1965.

A new paragraph (4) has been added to subsection (b) of section 6501 to provide, for the purposes of section 6501, that the filing of a return for a specified period on which an entry has been made with respect to the return of Federal excise tax (including a return on which an entry has been made showing no liability for such tax for such period) shall constitute the filing of a return of all amounts of such tax which, if properly paid, would be required to be reported on such return for such period. Thus, the filing of a return which has an entry with respect to a particular excise tax starts the running of the statute of limitations on assessment and collection of all such tax which, if properly paid, would be

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required to be reported on such return. This amendment reverses the result of recent court decisions which have taken the position that, unless a particular transaction is listed on the quarterly excise tax return, the statute of limitations does not begin to run with respect to that transaction.

A new paragraph (3) has been added to subsection (e) of section 6501 to provide that in the case of a return of excise tax which omits an amount of such tax properly includible thereon which exceeds 25% of the amount of such tax reported thereon, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within six years after the return is filed. This amendment merely extends the ordinary three-year statute of limitations to six years if the amount of excise tax omitted from the return exceeds 25% of the tax reported on the return.

June 30, 1965

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AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY, NEW YORK, N.Y. 10007

AREA CODE 212 393-9800

September 27, 1965

As noted in our letter of June 23, the communications excise tax changes enacted as part of the Excise Tax Reduction Act of 1965 are effective on a when-billed basis. The removal of private communication system charges from the tax base and the reduction in the tax rate on the remaining services to 3%, scheduled for January 1, 1966, will therefore be effective as to services first billed on and after January 1, 1966 regardless of when furnished, except that services furnished prior to November 1, 1965 are to be taxed under existing rates and rules.

This provision in the law has prompted at least one nationally circulated tax service to suggest to its customers that they request telephone companies and other communication carriers to defer billing for all November and December services until after the year-end.

We believe that any and all such requests should be refused. It is apparent that if such a procedure were to be adopted in individual cases the resulting discrimination among customers would subject the companies to wide-spread customer complaints as well as to regulatory commission censure. Deferred billing on an over-all basis would, of course, have a massive effect on receipts for the year.

Another consideration, equally important we believe, is the history behind the effective date provision in this law. In prior revisions of the communications tax law, similar provisions making the changes effective on a when-billed basis were incorporated at the communications industry's request to avoid disrupting its rotational billing procedures. The provision included in the current law is in keeping with these requests from the industry, and it could be considered a breach of faith to use it to avoid proper collection of the tax.

It is therefore recommended that no variations in normal timing of billing be adopted because of the effective date provisions of the excise tax law.

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At the request of Mr. Ferrall, copies of this letter are enclosed for Counsel. At Mr. Tait's and Mr. Damkroger's request, copies are being sent directly to General Commercial Managers and to Marketing Department Managers.

Any questions on this subject may be referred to Mr. R. H. Popp, Area Code 212 393-4327.

Yours very truly,

(Facsimile signature on all copies) R. N. FLINT

Assistant Comptroller

RHP:CLM

To all Comptrollers
  (Except Non-Operating
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American Tel. & Tel. Co.
Comptrollers Department

Federal Excise Tax on
Communication Services

## PART 1

## GENERAL

### History of Federal Taxes on Communication Services

1.00 With the exception of the periods in 1916-1917 and 1924-1932 some form of Federal excise tax has been imposed on charges for communication services since 1914. Prior to the enactment of the Revenue Act of 1941, the tax was principally on telephone toll, telegraph and radio message charges and leased wire services. At that time local telephone service was added to the list of taxable services. War tax rates, imposed by the Revenue Act of 1943, increased the rates to 25% on toll messages and leased wire charges and 15% on local service and marked the high point in communications excise tax rates. Although these war tax rates were scheduled to terminate with the cessation of hostilities, they were continued in effect until the Excise Tax Reduction Act of 1954 which reduced the rates on local, toll and leased wire services to 10%. The 8% rate on wire and equipment services was continued unchanged. These rates were retained when the communications excise taxes were carried over as part of the Internal Revenue Code of 1954. The Excise Technical Changes Act of 1958 revised the terminology and the definitions of the taxable types of service to conform more closely to the classes of service then offered by the industry and to provide for more uniform application of the tax. The Tax Rate Extension Act of 1962 removed the tax from most private line services when used in the conduct of a trade or business. The Excise Tax Reduction Act of 1965 established completely new definitions of the taxable communication services and removed private communication service from the tax base. Furthermore, the Act provided for the gradual elimination of the Federal excise tax on all communication services in accordance with the schedule set forth in Par. 1.01.

### Federal Taxes on Communication Services - General

1.01 Section 4251 of the Internal Revenue Code of 1954, as amended, imposes a tax on amounts paid for certain communication services. The Internal Revenue Code, the rules and regulations thereunder and other Federal statutes provide that certain other services are not subject to tax, and that certain customers are exempt from tax on all or part of the ordinarily taxable services furnished them. The scale of tax rates to be applied to charges for the various classifications of taxable service are as specified in the following table:

| | Rate of Tax (Per Cent) for Charges First Billed During | | | |
|---|---|---|---|---|
| Taxable Service | 1966 | 1967 | 1968 | 1969 |
| Local Telephone Service . . . . . | 3 | 2 | 1 | Tax Terminates |
| Toll Telephone Service . . . . . | 3 | 2 | 1 | |
| Teletypewriter Exchange Service . | 3 | 2 | 1 | |

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Both the rate reductions and the classification changes reflected in the above schedule are effective on a when billed basis, e.g., the new law and the 3% rate apply to charges first billed on and after January 1, 1966, regardless of when the service is furnished, except that the old law and rates will apply to services furnished prior to November 1, 1965. The November 1 division point for rate purposes is applicable to any calendar year for which a bill has not been rendered before the close of such year, i.e., the 1% rate applies to charges first billed on and after January 1, 1968 except that the previous year's 2% rate applies to services furnished prior to November 1, 1967.

## Organization and Use of the Excise Tax Manual

1.02 This manual has been compiled for Bell System use as a reference source in the application of Federal excise tax on communication services to charges made by telephone companies to their customers. The manual is organized to provide to the extent possible a comprehensive text on the communications excise tax when read in the normal sequence. Part 2 relates to the classification of telephone company charges among the various tax categories (also see Par. 1.03). Part 3 contains a discussion of general rules applicable to the over-all administration of communications excise tax matters. The exemptions that are accorded certain customers are covered in Part 4. Part 5 relates to the billing and accounting phases; Part 6 outlines procedures to be followed in remitting the tax collected and Part 7 discusses the regulations in respect to the retention of records. A topical index is provided for use in solving day-to-day problems.

## Classification of Telephone Company Charges

1.03 In determining whether a telephone company charge is subject to tax, the following sequence has been found to be helpful in producing correct results.

### Is the Charge for a Communication Service?

1.0301 If the charge is for other than a communication service, no tax will apply and no further analysis is necessary. Examples of such charges are listed in Par. 2.10.

### Is the Charge for a Taxable Communication Service?

1.0302 If the charge is for a communication service, it must then be determined if the service is subject to tax. Par. 2.21, Par. 2.22 and Par. 2.23 define the taxable categories, and Par. 2.24 discusses in general terms the non-taxable categories. The tax status determination, however, should be made by reference to Exhibit A to Part 2, which lists, by Uniform Service Order Codes (USOC) and description, all telephone company services. Part 3 discusses other circumstances, e.g., intercompany billing, where the tax should not be applied and sets forth special rules for computing tax in certain situations.

### If the Charge is for a Taxable Service, is the Customer Exempt?

1.0303 The law accords certain classes of customers exemption from tax on all or part of their communication services. These exemptions are discussed in Part 4.

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## PART 2

## CLASSIFICATION OF COMMUNICATION SERVICES

### General

2.00 This Part relates to the classification for tax purposes of charges made by telephone companies. See Par. 1.03 for the rationale of the organization of this part.

Paragraphs 2.01 - 2.09 Reserved

### Charges for Other than Communication Services

2.10 Charges by telephone companies for other than communication services are not subject to tax. Examples of such charges are:

(a) Sales of real and personal property.

(b) Rental or sale of directories.

(c) Rental of pole space for attachments.

(d) Rent of floor space.

(e) Directory advertising, including bold type listings in alphabetical directories.

(f) Customer deposits.

(g) Artificial larynx.

(h) Rental of conduit space.

(i) Rental of off-line equipment for use in training or testing of manufacturers' products and data processing systems.

(j) Charges for special billing detail (QZ, toll ticket reproduction, etc.).

Paragraphs 2.11 - 2.19 Reserved

### Charges for Communication Services

2.20 Charges for local telephone service, toll telephone service, and teletypewriter exchange service are taxable under Section 4251 of the Code in accordance with the schedule set forth in Par. 1.01. Section 4252 of the Code defines these three taxable communication services and also provides a definition of

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nontaxable private communication service. For this reason, and in order to help determine whether charges for certain communication services listed in Exhibit A to this Part are taxable or nontaxable, broad definitions of local telephone service, toll telephone service, teletypewriter exchange service and private communication service follow.

## Local Telephone Service, Defined

2.21 The term local telephone service refers to that service which provides access to a local telephone system and the privilege of telephonic quality communication with substantially all persons having telephone or radiotelephone stations which are part of such local telephone system. In general, this is the residence and basic business telephone service. Local telephone service also includes any facility or service provided in connection with the service described above, if the facility or service does not come within the definition of private communication service (see Par. 2.24). Charges for local telephone service are taxable.

### Local Area Message Charge

2.2101 Local area message charges include charges for messages in excess of a specified number (generally referred to as message unit charges) and any per message charges billed in connection with interzone calls, radiotelephone calls and conference calls, within a local service area are classified as local telephone service.

### Repair, Maintenance and Replacement Charges

2.2102 Repair, maintenance and replacement charges are not generally billed as such by Bell System companies to their customers. However, recurring repair charges, etc., are billed in connection with toll stations (Par. 2.2204) and service stations (Par. 2.2103). Such charges are classified as local telephone service.

### Service Stations (e.g., Farmer Lines)

2.2103 This type of service is furnished to individuals, or groups of individuals organized as an association, located in an outlying area where normal exchange service is not available. The individual or group constructs and maintains the lines connecting the telephones to the nearest Bell lines. Exchange and toll service is made available to the service stations through interconnection with the Bell central office switchboard. A monthly charge is made for this interconnection, either to the service station group contracting for the service or directly to the individuals. Toll messages are billed in the same manner. In certain instances, the telephone instruments may be owned by the Bell company, in which case a monthly charge is made for each instrument. Where billing is direct to the individuals, the local telephone service tax applies to the monthly charges for switching and interconnection and for any charges which may be made for maintenance or rental of the telephone instruments. Where billing is to the group, which in turn bills the individuals in the group, no tax should be billed by the Bell company, but tax should be billed and remitted to the Government by the group. The tax is billed by the Bell company on toll messages whether the billing is to the group or direct to the individuals.

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NOTE: In many instances special arrangements are made with such groups which provide for the Bell company billing individual members for services and tax and remitting the tax to the Government. These arrangements have not been held by the Internal Revenue Service to be objectionable.

## Toll Telephone Service, Defined

2.22 The term toll telephone service refers to a telephonic quality communication for which there is a toll charge which varies in amount with the distance and elapsed transmission time of each individual communication. Included within the definition of toll telephone service is Wide Area Telephone Service (WATS) which is used for either voice communication or data communication. Charges for toll telephone service are taxable.

### Toll Message Charges

2.2201 A toll message charge is a charge for a completed call from a fixed or mobile station which terminates outside the local service area. Included herein are those calls originated for the transmission of data and those completed through the facilities that provide service for air-to-ground, coastal harbor and high seas communications. Such messages are classified as toll telephone service.

### Special Reversed Charge Toll Service

2.2202 Special reversed charge toll service is an arrangement whereby long distance calls may be sent collect without specific request for reversal of charges. Message charges are classified as toll telephone service.

### Messenger Service

2.2203 Messenger services may be employed by telephone companies to locate persons unable to be reached by a telephone and bring them to a telephone. In such cases, the calling party agrees in advance to reimburse the telephone company for any expenses it may incur in connection with the messenger service. The charges for such messenger service are classified for tax purposes as toll telephone service.

NOTE: Under current traffic operating and mechanized toll billing procedures, it is impracticable to associate the messenger ticket and toll ticket to determine if the call was completed. Accordingly, tax should be applied to all charges for messenger service. Where a customer makes a claim for refund or credit of tax on a messenger service charge for which there is no corresponding record of a completed call, the Business Office will arrange for the refund or credit and forward an adjustment voucher to Accounting.

### Toll Stations

2.2204 Toll stations are company-owned stations connected directly to a toll board and are normally located in communities not regularly provided with exchange service facilities. There are two classes of toll stations - private and public. Private toll stations are primarily for the use of the customer, although the customer may allow the general public the use of such stations. A guarantee

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of usage usually applies. However, unlike semipublic coin telephones (see Par. 3.0302), only toll messages are made from private toll stations and these messages are taxed. If the entire guarantee were taxed a double tax would result. Therefore, only a deficit in the guarantee should be subject to tax, such tax to be classified as local telephone service. Public toll stations are provided for the use of the general public and the person with whom the telephone company arranges for the installation acts as agent for the company. No guarantees as to messages or revenues are required of the agent. Public toll stations with coin boxes are taxable as public coin telephones (see Par. 3.0303). An exception to this latter rule may exist if the coin box feature is only for the agent's convenience in collecting the charges from users and the telephone company bills the toll calls, with tax, to the agent in the same manner as if he were a private subscriber, in which event the agent pays the tax as billed. Private and public toll stations not equipped with coin boxes are subject to tax in the same manner as residence or business customers. Maintenance charges billed private toll stations are subject to the local telephone service tax (Par. 2.2102).

### Service Station Messages

2.2205 Service stations are furnished individuals, or groups of individuals, located in outlying areas where general exchange services are not provided (see Par. 2.2103). Charges for toll messages from these stations are classified as toll telephone service.

### Credit Plan Messages

2.2206 Under the Toll Credit Plan, holders of credit cards issued by Bell System companies are permitted to originate calls at any telephone and the charges will be billed to a telephone number determined by the credit card number. In general, only toll calls are permitted and these are classified as toll telephone service. In those cases where credit plan calls within a local service area are permitted, they are classified as local telephone service even though the amount charged for the call is determined by reference to a toll tariff or other surcharge schedule. This latter point is of importance, however, only in the application of the news service exemption (see Par. 4.31). See also Par. 3.0201 for application of tax when credit plan calls involve foreign countries.

## Teletypewriter Exchange Service, Defined

2.23 The term teletypewriter exchange service refers to that service which provides the access from a teletypewriter exchange station of which such station is a part, and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations constituting a part of the same teletypewriter exchange system. Charges for teletypewriter exchange service are taxable.

### Teletypewriter Message Charge

2.2301 A teletypewriter message charge is a charge for each completed teletypewriter exchange service connection. Such charges are classified as teletypewriter exchange service.

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## Private Communication Service, Defined

2.24 The term private communication service includes private intercommunication systems and private lines along with associated services necessary or unique to the private communication service, if a separate charge is made for such services. Charges for private communication service are nontaxable regardless of whether such private services may be connected through switching with local telephone service, toll telephone service, or teletypewriter exchange service. Therefore, charges for PBX systems (excluding trunk lines) are nontaxable private communication service.

### Restricted Centrex Stations

2.2401 Charges for restricted centrex stations are classified as nontaxable private communication service. However, when the charge for centrex service is subject to the minimum unrestricted station requirement of the tariff, all stations charged for at the unrestricted rate shall be taxable even though stations are arranged for restricted use at the request of the customer.

Paragraph 2.25 - 2.29 Reserved

## Composition of Exhibit A to Part 2

2.30 Exhibit A is a listing of Uniform Service Order Codes (USOC) and their descriptions. A tax classification for each of the USOC codes is also included. The Exhibit will be updated periodically as new USOC codes are assigned.

## Uniform Service Order Codes (USOC)

2.31 Exhibit A of this Part is a listing of USOC codes contained in the USOC manual, including those codes published in addendum form, with the following exception. USOC codes which are used as temporary codes, or for special items, e.g., codes zzx, zzy, zzz, etc., are not listed until after a permanent USOC code has been assigned to the item. Any questions arising as to the tax status of such codes or items should be referred to the accounting tax coordinate for your company.

## Tax Classification of USOC Codes

2.32 Three designations pertaining to the tax classification of USOC codes are listed in Exhibit A. The designations are Taxable (T), Nontaxable (N) and Dependent (D). Each USOC code has one of these designations listed in the tax status column for tax classification purposes. If a telephone company has significantly changed the description of a USOC code for its own use, the tax classification also may require changing accordingly.

### Taxable (T) Designation

2.3201 A Taxable (T) designation signifies that the charge for this particular item of service or equipment is taxable as either local telephone service, toll telephone service, or teletypewriter exchange service as defined in Par. 2.21, Par. 2.22, or Par. 2.23, respectively.

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AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY, NEW YORK, N.Y. 10007

AREA CODE 212 393-9800

September 27, 1965

As noted in our letter of June 23, the communications excise tax changes enacted as part of the Excise Tax Reduction Act of 1965 are effective on a when-billed basis. The removal of private communication system charges from the tax base and the reduction in the tax rate on the remaining services to 3%, scheduled for January 1, 1966, will therefore be effective as to services first billed on and after January 1, 1966 regardless of when furnished, except that services furnished prior to November 1, 1965 are to be taxed under existing rates and rules.

This provision in the law has prompted at least one nationally circulated tax service to suggest to its customers that they request telephone companies and other communication carriers to defer billing for all November and December services until after the year-end.

We believe that any and all such requests should be refused. It is apparent that if such a procedure were to be adopted in individual cases the resulting discrimination among customers would subject the companies to wide-spread customer complaints as well as to regulatory commission censure. Deferred billing on an over-all basis would, of course, have a massive effect on receipts for the year.

Another consideration, equally important we believe, is the history behind the effective date provision in this law. In prior revisions of the communications tax law, similar provisions making the changes effective on a when-billed basis were incorporated at the communications industry's request to avoid disrupting its rotational billing procedures. The provision included in the current law is in keeping with these requests from the industry, and it could be considered a breach of faith to use it to avoid proper collection of the tax.

It is therefore recommended that no variations in normal timing of billing be adopted because of the effective date provisions of the excise tax law.

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Nontaxable (N) Designation

2.3202 A Nontaxable (N) designation indicates that the service or equipment charge for this item is nontaxable for any one of the several reasons listed below:

(a) Charges for private communication service as defined in Par. 2.24 are nontaxable.

(b) Section 4253 (g) of the code provides that amounts paid for the installation of a communication service are nontaxable. Charges of this type such as for moves, changes, rearrangements, etc., are generally of a nonrecurring nature.

(c) Equipment and services which are not considered to be "associated facilities and services" as included in the definition of local telephone service (Par. 2.21) are nontaxable. Examples of such equipment and services are:

  (1) Message registers, totalizers and word counters.

  (2) Emergency reporting systems.

  (3) Dial intercommunicating lines.

  (4) Service training and other monitoring equipment.

  (5) Booths and signs.

  (6) Paper holders and tape winders.

Dependent (D) Designation

2.3203 A Dependent (D) designation indicates that the service or equipment can be used with either a taxable or nontaxable class of service. The charge is nontaxable if the service or equipment comes within the definition of a private communication service (see Par. 2.24). Otherwise, the service is taxable as either local telephone service, toll telephone service, or teletypewriter exchange service. The class of service entry on each service order can be used to provide information needed to determine the appropriate tax status of the item of service or equipment.

Dependent (D) Designation - General Rules for Determining Tax Status

2.320301 The following general rules may be of further assistance in determining the proper tax status for items of service or equipment designated as Dependent (D):

(a) Charges for service or equipment are nontaxable if associated with a private line or PBX system.

(b) Charges for service or equipment are taxable if associated with business main service, residence main service, general mobile service or teletypewriter exchange service.

Rationale of Classification of Certain USOC Codes

2.33 The underlying reason for assigning a particular tax classification to an item of service or equipment listed in Exhibit A is not always immediately apparent. For this reason the following information may be helpful.

(a) Services and equipment for which there is no charge, or for which there is a nonrecurring charge have been assigned a nontaxable designation. Recurring charges have been assigned a tax status based on the service or equipment description.

(b) Tax status codes have been assigned according to the most common rate structures used by the various telephone companies, e.g., color sets and cords are usually billed at nonrecurring rates and have been assigned a tax status code on that basis. When a company bills a monthly rate for these services the tax status should be changed accordingly.

(c) Services defined as official, government, military, etc., have been assigned a tax status for the service described rather than for the subscriber to those services.

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## PART 3

## ADMINISTRATIVE RULES

### General

3.00 This Part of the Excise Tax Manual outlines generally applicable rules for classifying communication services among the various excise tax classifications.

### Amounts Paid for Communication Services

3.01 The communications excise tax is imposed on amounts paid for taxable communication services. The person paying for the service is liable for the payment of the tax. The company collecting payment for the service is required to collect the tax and pay it to the government (see Part 6). The practice of telephone companies is to accrue tax amounts in their accounts at the time of billing. Thus, the controlling records for report purposes do not reflect tax amounts paid. However, in the event billed amounts are not subsequently paid an adjustment of the accounts is made in order to align record accruals with amounts actually paid.

### Charges for Communication Services to Customers Outside the United States

3.02 With the exception of local telephone service furnished in the United States, all amounts billed and paid for outside the United States for communication services are not subject to the United States tax. This rule applies even though the communication service may be furnished wholly within the United States. The point at which the bill to the communications user is prepared is controlling, regardless of the place to which the bill is forwarded. The term United States includes (1) the fifty states and the District of Columbia, (2) inland waters (such as rivers, bays, etc.) lying wholly within the United States, (3) waters within an international boundary line, and (4) waters known as a marine league from low tide along the coast line. Ships within the above designated waters, whether of foreign or domestic registry, are considered to be within the United States.

#### Credit Plan, Third Number and Sent Collect Calls

3.0201 Charges for credit plan, third number and sent collect messages are subject to tax if billed to a customer inside the United States irrespective of the originating and terminating points of the call. For example, charges for a call originated in a foreign country by a United States credit card holder and billed in the United States are subject to tax. Conversely, a call originated in the United States that is billed in a foreign country is not subject to tax.

#### Inter-Company Billing

3.0202 Communication charges billed to another telephone company in the United States for inclusion in bills to its customers should not reflect tax. It is the responsibility of the company that bills the ultimate customer to bill and collect the tax. However, inter-company billing to a telephone company outside the United States for local telephone service furnished in the United States should include tax. Such billing for other services should never include tax.

## Coin Telephone Service

3.03 The tax treatment to be applied to charges for telephone messages originating at coin telephones varies in certain respects from that for noncoin telephone services, as discussed in the succeeding paragraphs:

### Definition of Coin Telephone Service

3.0301 For purposes of the application of tax, coin telephone service refers to coin operated telephones to which the public has access, i.e., public and semipublic telephones, where charges for messages are paid by the insertion of coins. Service at attended public telephones is not considered as coin telephone service during such hours as the telephones are attended, even though the instruments are coin box equipped.

### Semipublic Telephone Service

3.0302 The entire amount of the guarantee on a semipublic telephone is subject to the local telephone service tax notwithstanding the fact that the amount required to be paid under the guarantee may be reduced or eliminated by reason of amounts collected from the coin box. If a contingent rental charge is made in addition to the guarantee, the amount of such charge is subject to tax as local telephone service only if it is paid. Tax does not apply to local messages, nor toll messages under 25 cents, when paid for by depositing coins. Tax does not apply to amounts paid for local messages in excess of the guaranteed number. A message originating and terminating within a local service area is a local message irrespective of the fact that, because the call is made on a person-to-person, collect or credit card basis, the amount charged for the call is determined by reference to a toll tariff or other surcharge schedule. The toll telephone tax applies to toll messages for which the charge is 25 cents or more, the tax being computed to the nearest multiple of 5 cents, and raised to the next higher multiple of 5 cents if midway between two multiples of 5 cents.

### Public Telephone Service

3.0303 Charges paid for by insertion of coins in public coin telephones are nontaxable for all messages within the local service area irrespective of the amount of the charge. A message originating and terminating within a local service area is a local message irrespective of the fact that, because the call is made on a person-to-person, collect or credit card basis, the amount charged for the call is determined by reference to a toll tariff or other surcharge schedule. Telephone toll messages amounting to 25 cents or more are taxable as toll telephone service, the tax to be computed on the charge for each message. The amount of tax should be computed to the nearest multiple of 5 cents, and raised to the next higher multiple of 5 cents if midway between two multiples of 5 cents.

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## "Split-charge" Messages

3.0304 In the case of "split-charge" toll messages, the portion of the charge collected at a coin telephone is taxable as toll telephone service if it amounts to more than 24 cents, otherwise that portion is not subject to tax. The portion of the charge to be billed to a second telephone is also taxable as toll telephone service, the amount of tax to be computed only on the amount billed. If both telephones are coin telephones, the total tax collected will be the toll telephone tax to the nearest multiple of 5 cents computed on the total charge.

## Undercollections

3.0305 Since tax applies only to the amount paid for telephone service, tax is not due on uncollected amounts (i.e., shortages) at coin telephones. In such cases it will be necessary to prorate the amount collected between revenue and tax. 3/103 of the amount collected should be considered as the amount of tax. However, because the amount of tax collected at coin telephones must necessarily be in multiples of $.05, the following rule should be applied:

(a) Divide the amount collected by 103.

(b) Multiply result by 3.

(c) The amount thus obtained should be recomputed to the nearest multiple of $.05 and raised to the next higher multiple of $.05 if midway between two multiples of $.05. For example, if the amount collected is $.90 dividing by 103 and multiplying by 3 gives $.026. Since the nearest multiple is $.05, the amount collected should be apportioned as $.85 revenue and $.05 tax.

## Slugs and Theft

3.0306 Where, because of the deposit of counterfeit coins or slugs, the amount of genuine coins collected from the coin box is not sufficient to cover the toll charges for the collection period, 3/103 of the amount of genuine coins is presumed to be tax. Where, due to theft or other casualty the entire contents of the coin box are lost, the company is not liable for any amount of tax for the period since the date of the last collection.

## Overcollections

3.0307 Tax does not apply to amounts of coin box overcollections.

## Services Furnished Free or at a Reduced Rate

3.04 Communications excise tax applies only to amounts paid. Thus, where no payment is made no tax applies. Where services are furnished free, no tax attaches. Where services are furnished at a reduced rate, tax applies to the amount

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paid. However, where the furnishing of taxable services is compensated for in some medium other than money, the tax applies to the monetary value of such compensation. Where a charge is written off or cancelled for any reason, the tax on such charge should also be withdrawn, subject to reinstatement should such charges be paid later.

### Services Subject to State and Local Taxes

3.05 Where a state or local taxing authority imposes a tax on the telephone company which is required or permitted to be passed on to the customer as part of the charge for service and which is accounted for as revenue, such tax is includible in the base for computation of the Federal excise tax. Those taxes accounted for as collected taxes are not includible in the Federal excise tax base.

### Equipment Furnished for Use on Customer-Owned Lines

3.06 Charges for telephone instruments connected to customer-owned lines are taxable as local telephone service if the lines can connect with exchange facilities. Where the lines cannot connect with exchange facilities no tax applies. If, however, any circuits are furnished with the instruments, the tax status of charges for the instruments is governed by the tax status of the charges for the circuits.

### Attended Telephone Service

3.07 Where calls are made from attended telephones, the attendant should collect the local telephone service tax from the customer for all messages within the local service area irrespective of the amount of the charge. In the case of toll messages the toll telephone service tax applies. If the customer pays for more than one message at the same time, tax should be computed separately on the total charge subject to the local telephone service tax and the total charge subject to the toll telephone service tax.

### Surcharges

3.08 The Geneva Radio Convention established that special charges would be applied to telephone messages transmitted through the facilities of certain ships. As the United States was a member of the convention, the Bell System is obligated to collect and remit these charges to the ship companies for whom they are collected. The amount to be collected, as a surcharge to the message charge, is billed to United States customers for received collect from or sent-paid messages to certain foreign ships listed in the Ship and Aircraft Rate and Route Guide. Billing of the surcharge may be in connection with a local call that is classed as local telephone service, or associated with a call that is classed as toll telephone service. Surcharges are classified in accordance with the tax classification of the message charge.

### Institutional Centrex or PBX Service

3.09 Students in a college or university may be furnished local and toll telephone service through the Centrex service or the PBX furnished the school. The telephone company's customer is the college or university and is generally exempt from

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tax either as a nonprofit educational organization (see Par. 4.23) or a governmental body (see Par. 4.12). The exemption, however, does not extend to students and amounts paid by them for any personal toll telephone messages are subject to tax. The institution is responsible for the billing, collecting and remitting of tax on student's toll charges. In many instances special arrangements are made to provide for the telephone company, to bill the individual student's charges and collect the tax. These arrangements have not been held by the Internal Revenue Service to be objectionable.

Night Depositary Losses

3.10 Night depositary boxes are installed at various business office locations to permit the payment of bills outside business hours. When subscriber revenues and associated tax amounts are lost from these boxes due to fire or theft, telephone companies are not liable to the Federal government for any unrecovered tax amounts. This rule would not apply, however, to amounts deposited by telephone companies in night depositary boxes of banks.

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## PART 4

## EXEMPTIONS

### Scope

4.00 Exemptions from communication excise tax on service otherwise subject to tax may be accorded under certain conditions, as provided by the Internal Revenue Code and regulations and rulings issued thereunder, or by other Federal statutes. This Part of the manual sets forth the circumstances under which exemptions apply, the extent of such exemptions and the certification, if any, required in connection therewith.

### Administration of Exemption Provisions

4.01 The exemption provisions of the Code and regulations are to be carefully applied. Where an individual customer or group of customers obtains a letter ruling from the Internal Revenue Service that no tax applies to the charges for some or all of the services which it uses, such exemption should not be extended to other customers in a similar position until the matter has been reviewed in the office of the General Tax Accountant of the American Company. The same procedures should be followed in connection with rulings obtained by customers concerning the furnishing of exemption certificates authorizing billing of charges without tax.

### Exemption Certificates

4.02 Exemption from tax on communication services is accorded certain customers without certification, as outlined in 4.10 through 4.14. In all other cases, however, the right to exemption must be evidenced by a properly executed exemption certificate (see Par. 4.20 through 4.33). Exemption certificates may be divided into two broad categories; those which are the basis for withdrawal of tax on charges previously billed and those which support the billing of charges without tax (see Par. 4.0201 and 4.0202).

#### Form of Exemption Certificate - Withdrawal of Tax Billed

4.0201 With the exception of certificates for withdrawal of tax billed to state, etc., governments or international organizations and combat zone telephone calls and certificates for use by nonprofit educational organizations, no form of certificate is prescribed by law or regulations. However, in certain cases a standard form of certificate has been agreed upon for use by certain customers. Specimens of these and other forms appear in Appendix B. In general, in order to prevent confusion for customers obtaining service from more than one Bell System company, exemption certificates should follow the format of the specimen forms. The essential elements of an exemption certificate are:

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(a) Name of person claiming exemption.

(b) Amount of charges exempt from tax.

(c) Date and telephone number of bill on which charges were billed.

(d) Reason for exemption. (Reference to appropriate Code section should also be made.)

(e) Usage of services for which exemption is claimed (where appropriate).

(f) Source of funds from which charges are paid (where appropriate).

(g) Amount of tax credit claimed.

(h) Signature of person authorized to prepare certificate.

It is not necessary that a certificate list in detail the charges for which exemption is claimed; for example, individual toll calls, where such charges appear on a bill or group of bills rendered to or paid by the customer claiming exemption. Where a telephone message originates at a coin telephone, hotel or residence telephone other than that of the customer claiming the exemption, the terminal cities, telephone numbers, and date of call should be furnished.

## Form of Exemption Certificate - No Tax to Be Billed

4.0202 In certain cases, covered in the discussion of specific exemptions, tax may be omitted from billing upon the submission by the customer of a certificate or statement. These statements are required in two general circumstances, which may coexist:

(a) Where the name in which the account is billed does not clearly indicate the customer is entitled to exemption.

(b) Where the exemption depends upon the usage of the services or facilities.

Certificates or statements should clearly state the reason for exemption, preferably with reference to the appropriate section of the Code, including the use made of the services if pertinent to entitlement to exemption. Also, it may be necessary to indicate the source of funds used for payment of the charges.

## Filing of Exemption Certificates with the Telephone Company

4.0203 In those instances where a certificate is required to support billing without tax, the customer should provide the telephone company with a certificate for each service or group of services within the scope of a particular exemption provision. When items of service to which tax exemption applies are added to a customer's account, and if such new service falls within the scope of a certificate previously supplied, it is not necessary to obtain a new certificate.

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When all services in connection with a particular exemption certificate are discontinued, the certificate should be removed and placed in the inactive file for the prescribed retention period. See Par. 4.05 for requirements regarding the renewal of continuing exemption certificates.

### Responsibility of Telephone Company

4.03 The telephone company's responsibility for the validity of a claim for exemption is limited to determining the following: (1) the claim appears reasonable on the basis of information known by the telephone company, (2) the person certifying the claim is the person he represents himself to be and is authorized to so certify, and (3) the exemption is allowable by law on the basis of the facts set forth in the claim. The above is true to the extent applicable even though the exemption is accorded without certificate. Other than where charges are billed directly to obviously tax exempt customers where no certification is required, such as Federal, state and local governments, the telephone company is not responsible for determining those customers entitled to exemption and informing them of that fact. It is the customer's responsibility to claim any exemption to which he is entitled. Any telephone company decisions to advise customers (or, more practically, classes of customers) that they are entitled to exemption should be based on customer relations considerations.

### Maintenance of Exemption Certificate Files

4.04 The file of exemption certificates which authorize the company to bill charges without tax should be maintained in the Accounting Department in such form as will permit ready reference in the event of question or audit. Exemption certificates for the withdrawal of tax billed should be forwarded to the Accounting Department together with the related adjustment vouchers (see Par. 5.05) and retained in the adjustment voucher files.

### Review of Tax Exempt Accounts and Renewal of Certificates

4.05 Those customers' accounts which are billed without tax on a continuing basis should be reviewed annually to insure the exemption is applicable. When making the review, the telephone company should obtain a new exemption certificate from each customer. The specific review date is within the choice of the telephone companies but certificates must be renewed at least annually. The old exemption certificate should be placed in the inactive file upon receipt of the renewal certificate and retained for the prescribed retention period. The new certificate should then be maintained in the active file.

### Mixed Taxable and Exempt Usage

4.06 In the event a taxable communication service is shared by more than one customer and one or more of these customers is entitled to an exemption under the Internal Revenue Code, it is recommended that the tax be billed and subsequently withdrawn upon the presentation of an exemption certificate. The amount of exempt usage to which the customer certifies may be accepted by the telephone company without question. The same procedure should be followed where a customer has mixed taxable and exempt usage of a single service.

Paragraph 4.07 - 4.09 Reserved

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## Customers Completely Exempt from Tax

4.10 The below listed customers are exempt from tax on all communication services.

## United States

4.11 Pursuant to authority granted him by Section 4293 of the Code, the Secretary of the Treasury has authorized the exemption from tax on any charges made for services furnished directly to the United States, where payment of such charges is made directly by the United States.

### Federal Departments and Bureaus

4.1101 The exemption extends to charges for services furnished to units of the departments and bureaus of the United States, such as Post Offices, Federal courts, U. S. veterans' hospitals, and posts and installations of the armed forces.

### Federal Agencies and Instrumentalities

4.1102 Certain agencies and instrumentalities of the United States are granted exemption from tax by the statutes creating them. This exemption extends to official calls made by their employees which are paid for by such agencies or instrumentalities. A list of such agencies is included as Appendix A-2. Claims for exemption by other Federal agencies and instrumentalities should be referred to the office of the General Tax Accountant of the American Company.

### Federal Government Employees

4.1103 Payment for services furnished to, and paid from U. S. Government funds by employees of the Federal government, its departments or bureaus, such as payments for their official calls from hotels, pay stations or residences are not exempt from tax. Billing must be directly to the U. S. Government or a department or bureau thereof to warrant exemption.

### Federal Government Contractors

4.1104 Payments for services furnished to a contractor, or other person, operating under a contract to perform work on behalf of, or furnish articles and materials to, the United States or any agency thereof are subject to tax. Where, however, service to be furnished at government owned plants operated by contractors is contracted for and paid for directly by the United States, tax may not apply. Exemption has also been granted in several instances to contractors with the Atomic Energy Commission. In all such instances the contractual arrangements have included unusual provisions for the disbursement of funds. It is suggested that before exemption is accorded in any case where a claim for exemption is presented by such a contractor, the contractor be requested to obtain a ruling from the Internal Revenue Service and furnish it to the telephone company.

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## Patients in Federal Government Hospitals

4.1105 Charges for toll messages of patients in military or naval hospitals are exempt from tax if paid for from funds administered and controlled by an instrumentality of the United States Government, even though such funds are made up of contributions by civilians. See Par. 4.13 for treatment of cases where charges for messages are billed to and paid by the Red Cross.

## Exemption Certificate Requirements

4.1106 Where accounts are billed in the name of governmental departments, bureaus, agencies or instrumentalities, no certificate is required and no tax should be billed if payment is made from public funds and the name sufficiently identifies the account as a government account. In cases where the name in which an account is billed does not clearly indicate its status, a certificate should be furnished as authorization for billing without tax before exemption is accorded. For a satisfactory form of certificate, see Appendix B-1. Where an agency or instrumentality is exempt from tax as described in Par. 4.1102 on the basis that the stock of such agency or instrumentality is owned by the Federal government, but there is cause to believe that such stock may be transferred to nongovernmental persons, a certificate should be obtained which states that the certifying authority agrees to notify the telephone company in the event such a transfer takes place. In cases where exemption from tax is claimed on charges for messages telephoned from hotels, pay stations, residence telephones, etc., by employees of exempt agencies and instrumentalities, described in Par. 4.1102, which charges are paid from government funds, such claims must be supported by a certificate showing the particular message or messages for which exemption is claimed. See Appendix B-2 for a satisfactory form of certificate.

## State and Local Governments

4.12 Section 4292 of the Code provides that no tax should be imposed upon any payment received for services furnished the government of any state, territory of the United States, or political subdivision thereof, or the District of Columbia. Services furnished governmental institutions are exempt from tax if payment for the services is made from public funds. Examples are county hospitals, public schools and courts.

## Certain Services Not Billed to States, etc.

4.1201 Services billed to individuals and others, paid for by governmental funds, are also exempt if properly certified. Examples of such services are residence service of municipal officials and services to committees and authorities established by governmental action.

## Exemption Certificate Requirements

4.1202 Where accounts are billed in the name of governments, governmental departments, agencies or institutions, and courts, etc., no exemption certificates are required and no tax should be billed. Amounts regularly paid from

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governmental funds, where the billing name does not clearly indicate the entitlement to exemption, should be billed without tax only after a certificate is received from the government making payment for the service. For a satisfactory form of certificate, see Appendix B-1. In all other cases tax should be billed, such tax to be withdrawn upon receipt of a certificate showing the charges for which exemption is claimed. See Appendix B-2 for a satisfactory form of certificate.

### American National Red Cross

4.13 Section 4253(c) of the Code exempts the American National Red Cross from tax on telephone and telegraph services. The exemption extends to services furnished to local chapters and to toll messages of Red Cross representatives made from hotels, coin telephones or residence telephones, on official business of the Red Cross.

#### Exemption Certificate Requirements

4.1301 Tax should not be included on bills rendered in the name of the American National Red Cross and no certificate is required. If, however, the name in which a local chapter is billed does not clearly indicate its status, a statement should be obtained from the chapter manager to support billing without tax. Tax on exempt calls made by representatives of the Red Cross may be withdrawn upon the presentation of an exemption certificate, similar in form to Appendix B-2.

#### Hospitalized Military Personnel

4.1302 Arrangements are in effect at some government hospitals whereby the charges on certain toll calls of hospitalized military personnel are billed to and paid by the Red Cross. The bill may be in the usual form of a telephone bill, or a list of the calls involved may be prepared at the hospital telephone center. In the latter case, the list should clearly indicate that it pertains to calls to be paid for by the Red Cross and a copy of the list should be sent to the telephone company with the remittance. The office receiving the remittance should forward the list to the appropriate revenue accounting offices for its records. No tax should be included on bills rendered. See Par. 4.1105 for exemption where payment is made from funds administered and controlled by an agency of the United States Government.

### Ambassadors, Ministers and Other Duly Accredited Representatives

4.14 Ambassadors, Ministers and other duly accredited diplomatic representatives of foreign governments, together with members of their families living with them, and members of their households, including attaches, secretaries and clerks (but not servants) who are not citizens of the United States in an immigrant status, and who are nationals of the country of the diplomatic mission where employed, are not required to pay tax on telephone and telegraph services. No tax shall be included in bills rendered and no exemption certificates are required. See Par. 4.24 for consular officers, etc., of treaty nations.

Paragraphs 4.15 - 4.19 Reserved

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## International Organizations

4.20 Certain international organizations are exempt from tax on telephone and telegraph services by provisions of the International Organizations Immunities Act and Executive Orders of the President of the United States. See Sections 4253(c) and 7701(a)(18) of the Code. For a list of such organizations, see Appendix A-3.

### Exemption Certificate Requirements

4.2001 Where services are billed in the name of an exempt organization listed in Appendix A-3, or where the billing name is other than the name of the exempt organization but payment will be made from funds of the organization, an exemption certificate similar in form to Appendix B-1 should be obtained to support billing without tax. Exemption from tax may also be claimed on toll messages from hotels, coin telephones or residence telephones by use of the exemption certificate set forth as Exhibit B-2.

## Insolvent Banks

4.21 Insolvent banks are exempt from tax on communication services if the assets are insufficient to pay depositors in full, under Section 7507 of the Code.

### Exemption Certificate Requirements

4.2101 Insolvent banks may be billed tax exempt upon presentation of a certificate stating the facts upon which exemption is claimed. The certificate should be signed personally by the receiver or, in the case of state banks, by the person authorized to perform the duties of a receiver. Claims for refunds of tax previously paid, where allowable under law, should be made by the receiver or other authorized person directly to the government.

## Calls by Servicemen in Combat Zone

4.22 Section 4253(d) of the Code provides that no tax shall be imposed upon any payment received for a toll telephone or radiotelephone message which originates within a combat zone designated as such by Presidential Order, made by a member of the Armed Forces performing service in such combat zone. This has, under present conditions, been interpreted to apply only to collect calls originating in combat zones and paid for in the United States.

### Combat Area - Definition

4.2201 Section 112(c) (3) of the Code provides that a combat zone be designated by Executive Order of the President of the United States. Vietnam, including the waters adjacent thereto, is the only designated combat zone for which an order is currently in effect.

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Exemption Certificate Requirements

4.2202 Tax should be billed on all such calls, subject to withdrawal upon presentation of a certificate. A special form of certificate is prescribed for use in claiming exemption under Section 4253(d). A specimen is set forth as Appendix B-7.

Nonprofit Educational Organizations

4.23 Section 4294 of the Code provides an exemption from excise tax on all communication services furnished nonprofit educational organizations. The term "nonprofit educational organization" means an organization whose primary function is the presentation of formal instruction and which normally maintains a regular faculty and curriculum and normally has a regularly enrolled student body in attendance at the place where its educational activities, including instruction of the mentally handicapped, are carried on. The term also includes a school operated as a function of a church, parish or other religious body. In both cases, exemption from income tax under Section 501 of the Code is an essential requirement. The exemption accorded nonprofit educational organizations has been extended by ruling to facilities housing teachers and administrative offices in parochial school systems and to nonprofit associations created and operated exclusively to carry out activities of educational organizations.

Exemption Certificate Requirements

4.2301 Separate exemption certificates, set forth as Appendix B-8 and Appendix B-9, respectively, have been prescribed for the church sponsored and other educational institutions. The appropriate certificates must be furnished to the telephone company before exemption may be granted. These certificates may be accepted as continuing certificates where the service is billed in the name of the institution or the church, etc., sponsoring the institution and the services billed are exclusively used by such institution. In cases where a bill includes services not clearly exempt under the rules stated above, tax should be applied on the total amount billed, and withdrawn to the extent that the customer certifies that a specific amount of the bill is for services used exclusively by the institution. This information should be entered on the same form of certificate as is used for continuing exemption, which should be submitted monthly.

Consular Officers, Agencies, Commissions

4.24 Consular officers of foreign governments, and other officers (see Par. 4.14 for diplomatic representatives) as well as agencies and commissions of foreign governments are exempt from tax on telephone communication services with respect to transactions arising in the performance of their official functions for which payment is made by the foreign government. See Par. 4.2402 for application of exemption.

Consular Officers, etc., of Treaty Nations

4.2401 Treaties between the United States and certain foreign governments provide that consular officers are exempt from tax on telephone services in respect of both personal and official transactions, where such officers are not

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citizens of the United States and are not engaged in a profession, business, trade, manufacture or commerce within the United States. The nations with whom treaties have been ratified and the classes of consular officials covered by such treaties are listed as Appendix A-1. See Par. 4.2402 for application of exemption.

### Exemption Certificate Requirements

4.2402 Consular officers of nations having treaties with the United States should file annual exemption certificates showing that exemption is allowable under treaty provisions. Tax should not be billed thereafter. However, tax should be billed to consular officers of nations not having treaties, and to all officers and agents (other than diplomatic representatives or consular officers) of foreign governments. Where tax is billed, it may be withdrawn upon the furnishing of an exemption certificate showing that the transactions were of an official character. See Appendix B-5 and Appendix B-6 for satisfactory forms of certificates.

Paragraphs 4.25 - 4.29 Reserved

### Customers Partially Exempt from Tax

4.30 The below listed customers are exempt from tax on certain communication services. The exemption is accorded these customers under selected conditions of usage of the service upon the presentation of a properly executed exemption certificate. See Paragraphs 4.01 through 4.05 for a detailed discussion of exemption certificates.

### News Services

4.31 Services used in the collection and dissemination of news are exempt from tax on the charges therefor to the extent stated in Par. 4.3102 below, as provided by Section 4253(b) of the Code.

### News - Definition

4.3101 "News" is interpreted to be information of interest to the general public, as differentiated from information of interest to specific segments of the public. The exemption does not extend to services furnished magazines, periodicals and trade and scientific publications issued to supply information on certain subjects of interest to particular groups. Thus, racing news and market quotations have been held not to constitute news for purposes of the exemption.

### Scope of Exemption

4.3102 The exemption extends to all charges for communication services, except those classified as local telephone service, provided such services are used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio

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and television broadcasting, or in the dissemination of news through or by means of such agencies. Charges for news ticker services devoted to information of interest only to a particular segment of the public are not exempt. Charges for services used for administrative purposes, such as messages to and from correspondents relating to assignments for gathering and reporting news items for publication, are not entitled to exemption. The exemption applies only if the charges are billed in writing to the person paying such charges. Therefore, the exemption does not apply to toll messages from coin telephones.

### News for Subscribers via Teletypewriter

4.3103 Teletypewriter service utilized by a radio broadcasting station to transmit general news from its news bureau to subscribing businessmen's clubs for the information of members of the clubs, the news service being made available by the radio broadcasting station to anyone desiring to subscribe thereto, has been held to be a news ticker service furnishing a general news service similar to that of the public press and therefore exempt from tax.

### Channels Furnished Individuals

4.3104 Individuals and organizations other than radio broadcasting stations or networks may arrange with broadcasting stations for the broadcast of special events by radio or television, utilizing channels obtained from the telephone company by such individuals or organizations. These individuals or organizations may claim exemption from tax only if the broadcast constitutes the dissemination of news. Broadcasts of sporting events and political speeches are held for this purpose to be dissemination of news.

### Exemption Certificate Requirements

4.3105 Tax should be billed on all charges for taxable communication services furnished news services. Tax on charges for toll telephone messages, TWX and Wide Area Telephone Service are subject to withdrawal upon receipt of a properly executed exemption certificate. See Appendix B-3 for a satisfactory form of certificate. Tax on message toll charges related to the dissemination of news may be withdrawn in total, and the tax on TWX and WATS charges may be withdrawn in the proportion the services used in the dissemination of news bears to the total usage. Where exemption is claimed under the circumstances outlined in Par. 4.3104, tax should be included in the amounts billed, and withdrawn if the customer furnishes a certificate stating that the channels were used for the dissemination of news.

## Common Carriers, Telephone and Telegraph Companies and Radio and Television Broadcasting Stations

4.32 Under Section 4253(f) of the Code tax does not apply to payments for Wide Area Telephone Service utilized in the conduct by a common carrier or telephone or telegraph company or a radio or television broadcasting station or network, of its business as such. The exemption does not extend to payments for local telephone service, toll telephone service, or TWX messages.

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### Common Carrier

4.3201 "Common carrier" is a broad term which includes, among others, railroads, truckers, bus lines, street railways, taxicab companies, airlines and certain pipe line companies. Exemption may be granted to any person or organization coming within this general description upon the receipt of an exemption certificate which includes a statement that the claimant is a common carrier.

### Advertising Agencies - Broadcasters

4.3202 Advertising agencies obtaining facilities for use in broadcasting radio or television programs come within the meaning of the term "radio broadcasting station or network" for purposes of exemption under Section 4253(f) of the Code.

### Scope of Exemption

4.3203 The exemption from tax applies if the usage of WATS pertains to any activity of the customer as a common carrier, telephone or telegraph company or radio or television broadcasting station or network. Services used by such customers in the conduct of another business are not within the scope of the exemption. For example, the exemption does not apply to charges for WATS furnished to a railroad, which services are used by the railroad in operating a vacation resort.

### Exemption Certificate Requirements

4.3204 Tax may be omitted from bills to customers entitled to exemption from tax under Section 4253(f) if the telephone company has satisfactory evidence in its possession that the services for which exemption is claimed are used in the conduct of the customer's business as such. No certificate is required if the contract for the service clearly states that the use of the service will be such that exemption is warranted. Where such is not the case, a certificate should be furnished to authorize billing without tax. A satisfactory form of such a certificate is set forth as Appendix B-4.

### Exemption to Par. 4.3204 - Telephone Companies

4.3205 Where exempt services are furnished another telephone company in the normal conduct of the telephone business, no tax need be billed nor exemption certificates filed.

### Services Furnished to Miscellaneous Common Carriers

4.33 The Internal Revenue Service has held that the use of a single communication service shall be subject to a single tax. Therefore, where a taxable communication service furnished to a customer is used as a component of a service which he provides to his customers, no tax should be applied to the telephone company's charge. The telephone company's customer is responsible for collecting tax on charges he makes for whatever taxable service he renders. See Appendix B-10 for a satisfactory form of statement to support the billing of such service without tax.

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# PART 5

# BILLING AND ACCOUNTING

## Scope of Part 5

5.00 This Part covers the administrative procedures involved in billing, collecting, crediting, refunding and accounting for tax on amounts paid by customers for communication services.

## Billing

5.01 The decision as to the number of tax computations which will be shown on a bill should be based on operational considerations. In general, tax will be computed on the several elements included in a bill as described in the following paragraphs.

### Toll Messages

5.0101 No tax should be entered on toll tickets except in the case of tickets covering messages originating from public and semipublic coin box stations where the charge therefor is more than 24 cents. Toll messages billed to customers should bear tax computed on the total of such charges contained on the bill. If, however, the billing procedure requires computation on each individual message, the computation should be extended to the number of decimal places that will result in the same total of tax as if the tax were applied to the total of the toll charges.

### Semipublic Tickets

5.010101 Tax collected on toll messages over 24 cents should be recorded with the revenues on semipublic collection records. Tax that has been included on such records should be summarized for controlling record and report purposes.

### Public Coin Box Tickets

5.010102 The amount of tax collected should be recorded with the revenues to collection record cards. Summaries of tax so posted should be prepared for controlling record and report purposes.

### Attended Station Tickets

5.010103 The amount of tax collected should be summarized for controlling record and report purposes.

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## Monthly Local Service Charge

5.0102 The tax applicable to local telephone service should be entered on the subscriber's service and equipment record, and added to the monthly local service charge for entry on the bill. The tax should be computed on the total charge, rather than individual components thereof.

## Additional Local Messages

5.0103 Tax at the rate for local telephone service should be computed on the net local message charge to each customer and entered on appropriate billing records. Summaries should be prepared for controlling record and report purposes.

## Interzone Messages

5.0104 No tax should be posted on tickets. Tax should be computed at the local telephone service rate on the total interzone message charge to each customer. Where message rate service is furnished and interzone messages are added to the total registered usage, the tax should be applied to the net local message charge. Where flat rate service is furnished, the tax should be applied to the total interzone message unit charges. The amount of tax should be entered on appropriate billing records, and summaries should be prepared for controlling record and report purposes.

## Fractional Charges and Credits

5.0105 The amount of tax applicable to charges and credits for a fractional part of a month should be computed on the net total of the taxable charges on the Other Charges and Credits Statement. Summaries for controlling records and reports purposes should be made therefrom or from other underlying records.

## TWX Service

5.0106 Tax should be applied to the fixed monthly charges and message charges and entered on appropriate billing, control and report records.

## Semipublic Accounts

5.0107 Tax at the local telephone service rate should be billed on all fixed monthly or other recurring charges and on amounts guaranteed for local messages. Such tax should be summarized for controlling record and report purposes.

## Tax-Exempt Accounts

5.0108 Where customers are exempt from billing of tax, through blanket exemption certificates or otherwise, service and equipment records or other billing records should be clearly marked as tax exempt. Where a blanket exemption certificate has a definite expiration date or other special conditions apply, such information should also be shown.

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## Delayed Charges

5.0109 In the event of failure to bill and tax at the time the related charges for service are billed or there is a failure to bill a sufficient amount of tax, tax amounts should not be billed retroactively if the failure to bill such tax amounts was due to reasonable doubt as to whether the law required collection of the tax. Thus, for example, retroactive billing would not apply in cases where the omission of tax from the customer's bill was based on an interpretation set forth in this Manual or other interim A.T.& T. Co. instruction. Whether or not tax is billed retroactively, however, has no bearing on the customer's tax liability. Tax may be levied by direct assessment against the customer by the Internal Revenue Service.

## Hotel Service Charges

5.0110 Tax should be billed to hotels and similar establishments at the toll telephone service rate on the gross amount (tariff charge) for toll messages. The hotel will collect the tax from its customers and remit the amount to the telephone company. Local telephone service tax should be applied to the net amount (after any commissions) billed such establishments for local service charges, local messages and interzone messages. No tax attaches to any charge made by the hotel for service rendered in placing calls for its guests.

## Ship and Aircraft Telephone Service

5.0111 Tax should be billed and collected as set forth below:

(a) Where a call to a ship or an aircraft is made from, or a collect call is made to, a land telephone, the land customer should be billed for the charges and taxed by the telephone company of which he is a customer.

(b) Where the call is made from a ship or an aircraft, or a collect call is made to a ship or an aircraft, the Bell System company with which the ship or aircraft is registered should bill the customer, including the appropriate tax.

(c) Where a ship or aircraft is registered with a non-Bell company coastal harbor land radiotelephone station and it makes a call or receives a collect call through a coastal harbor land radiotelephone station of a Bell company, the Bell company should bill the customer direct and include the tax.

(d) If a ship or aircraft registered with a Bell company makes a call or receives a collect call through a non-Bell company coastal harbor land radiotelephone station, the non-Bell company should bill the ship or aircraft direct, and include the tax.

(e) With respect to calls from ships in high seas service or coastal harbor service to land telephones or aircraft, or collect calls to ships (where permitted), the collecting of any tax which may be due is the responsibility of the ship or its operating agency.

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Gift Telephone Service

5.0112 Where gift telephone service involves a lump-sum payment by the donor covering service for a period in advance, the appropriate tax should be computed on the total amount paid and included in the return for the month billed. Even though the amount paid is treated as a prepayment and transferred to revenue accounts over the period the service is furnished, no such spreading of the tax is permissible. Where billing for the service is rendered monthly over the period for which service is furnished, normal tax application procedures should be followed.

Summary Billing

5.0113 Under summary billing, a single bill is issued to the customer to cover charges for communication services which would otherwise be separately billed at a number of locations. Separate billing advices are prepared at the locations providing the service and forwarded to the summary billing point. The billing location issuing the summarized bill is responsible for billing, collecting and reporting of Federal tax amounts. Where exemptions apply, the necessary certificates should be on file at this location.

Collecting

5.02 The telephone company should exercise the same diligence in collecting tax as it does in collecting charges for telephone service. Since the total collections are booked as cash and credited to customers' accounts in total, no segregation of amounts collected between telephone service and tax is required.

Charges Written Off

5.0201 Where final accounts are written off as uncollectible, the amount of tax to be written off should be determined by applying the formulae described in Accounting Letter M-154. Where charges are withdrawn and written off as uncollectible on live accounts (disputed toll messages, local message charges, etc.), the appropriate amount of tax is also withdrawn and is treated as a reduction of the amount of tax paid in the return. Where revenue not previously billed is written off as uncollectible, no tax applies since there has been no payment for the service. Where uncollectibles are sold for a discounted amount, the difference between the face amount due and such discounted amount should be considered a write-off and the related tax withdrawn. However, if a fee, based upon amount collected or otherwise computed, is paid to a collector, such fee is not to be considered a reduction of the amount received in payment of a bill.

Refusal to Pay Tax

5.0202 Any case where a customer whose identity is known pays taxable charges but refuses to pay the tax must be reported to the District Director of Internal Revenue (see Paragraph 6.0101). When such report is made, the customer's account should be credited with the amount reported. No further action with

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respect to such tax is required of the telephone company. To constitute a case to be reported as a refusal to pay there must be a payment of charges for service and a failure to pay the related tax, and a declared refusal to pay such tax or failure to respond to collection efforts. Failure to pay tax because of a telephone company error, such as failure to quote or request the proper tax on coin telephone calls, should not be considered as a refusal to pay tax.

## Credits and Refunds

5.03 Refunds due customers on tax collected in excess of the amounts due may be obtained by them either from the telephone company or the Internal Revenue Service. Where a refund is made, or a customer's account is credited, by a telephone company, no interest on the amount of such refund or credit is allowable. Interest is allowable on refunds made directly to customers by the Internal Revenue Service. The credit or refund which may be claimed from a telephone company is the amount of tax which was included in returns having due dates within the three-year period next preceding the due date of the return in which such credits are claimed.

## Withdrawal of Tax Billed

5.04 Upon presentation of an exemption certificate in proper form for withdrawal of tax previously billed, an adjustment voucher for the amount of tax to be withdrawn should be prepared. Where an exemption certificate covers amounts on more than one account, adjustment vouchers should be prepared for each bill.

## Adjustment Vouchers

5.05 On adjustment vouchers for credit adjustments, the tax should be shown separately from the related charge. The adjustment voucher should be prepared so the category of tax and the month the tax was billed can be determined. Appropriate entries should be made on controlling records.

## Accounting

5.06 Taxes when billed should be debited to Account 118-01 Due from Customers and Agents, and credited to Account 159.2-49 Other Accounts Payable - Federal Taxes on Telephone Service. These entries should be reversed where tax is withdrawn, credited or refunded. When tax is paid to the government, Account 159.2-49 should be debited.

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Appendix B-1

## ANNUAL CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES FOR SERVICES PAID FROM FUNDS OF THE UNITED STATES, OR OF ANY STATE OR TERRITORY OR POLITICAL SUBDIVISION THEREOF, OR PUBLIC INTERNATIONAL ORGANIZATION, OR ORGANIZATIONS CREATED BY ACTS OF CONGRESS WHICH ARE TAX EXEMPT

The undersigned claims exemption from the tax imposed by Section 4251 of the Internal Revenue Code on all local telephone service; toll telephone or radiotelephone messages or conversations; and teletypewriter exchange service, billed or to be billed the undersigned.

The undersigned certifies that such exemption is allowable by law for the reason that such services are being and will be furnished to and charges will be paid from funds of (check one):

☐ The United States, A State or political subdivision thereof

☐ A Public International Organization

☐ An organization created by Act of Congress which is tax exempt.

Billing Name ______________________

Address ______________________

Paid from
Funds of ______________________
(Name of exempt organization)

Signature ______________________
(Authorized representative)

______________________
(Title)

Service identification ____________
(Account Number or Billing Number)

Received by

______________ Telephone Company

______________ ______________
(Date) (Initials)

PROTECTED

Effective Date - January 1, 1966

Appendix B-2

E1068
Exhibit 108A

# CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES TO STATE, ETC., GOVERNMENTAL BODIES OR INTERNATIONAL ORGANIZATION, ETC.

I certify that the service identified below has been furnished by ______________ Telephone Company to ______________ (Billing name) and that the charges of $ ________ included in bill dated ______________ will be paid from ______________ (State, etc., Government or International Organization, etc.) funds; and that such charges are exempt from tax under Section ______ of the Internal Revenue Code.

Billing Name ______________

Address ______________

Signature ______________
(Authorized representative)

______________
(Title)

Service identification ______________
(Account Number or Billing Number)

Received by

______________ Telephone Company

______________ (Date) ______________ (Initials)

ATTACH TO ADJUSTMENT VOUCHER

PROTECTED

Effective Date - January 1, 1966

E1069
Exhibit 108A

Appendix B-3

# CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES FOR SERVICES USED IN THE COLLECTION AND DISSEMINATION OF NEWS BY NEWSPAPERS, PRESS ASSOCIATIONS, ETC.

I certify that the service charges included in bill rendered by_______________ Telephone Company dated___________ relate to message facilities which were utilized exclusively in the collection of news for the public press or radio broadcasting or in the dissemination of news through the public press or by means of radio broadcasting and are to or from other press associations or newspapers or radio broadcasters or to or from their bona fide correspondents, and that the charges therefore as set forth below are exempt from tax under Section 4253 (b) of the Internal Revenue Code.

| | |
|---|---|
| TWX Facilities: | Amount of exemption claimed $_______ |
| Connections: | Amount of exemption claimed $_______ |
| Message Toll: | Amount of exemption claimed $_______ |
| Wide Area Telephone Service: | Amount of exemption claimed $_______ |
| | Total $_______ |

Billing Name ________________________

Address ________________________

Signature ________________________
(Authorized representative)

________________________
(Title)

Service identification ____________
(Account Number or Billing Number)

Received by

__________________Telephone Company

________________ (Date)    ____________ (Initials)

PROTECTED

ATTACH TO ADJUSTMENT VOUCHER

Effective Date - January 1, 1966

E1070
Exhibit 108A

# ANNUAL CERTIFICATE OF EXEMPTION FROM FEDERAL EXCISE TAX ON CERTAIN CHARGES TO COMMON CARRIERS, TELEPHONE AND TELEGRAPH COMPANIES, RADIO AND TELEVISION BROADCASTING STATIONS AND NETWORKS

The undersigned claims exemption under Section 4253(f) of the Internal Revenue Code from the tax imposed by Section 4251 of the Code on the services identified below furnished to the undersigned.

In making this claim, the undersigned certifies that such services have been and will be used exclusively in the conduct of its business as a (check one):

☐ common carrier
☐ telephone company
☐ telegraph company
☐ radio or television broadcasting station or network

The undersigned represents that he is authorized to execute this certification and that, to the extent that it covers services to be hereafter rendered, he will notify the ______________ Telephone Company when the basis for tax exemption stated above ceases to exist.

Service identification ______________
(Account Number or Billing Number)

Billing Name ________________________

Address ________________________

Signature ________________________
(Authorized representative)

________________________
(Title)

Received by

______________ Telephone Company

________ (Date)

________ (Initials)

PROTECTED

Effective Date - January 1, 1966

PROTECTED

E1071
Exhibit 108A

Appendix B-5

# CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES TO FOREIGN REPRESENTATIVES FOR SPECIFIED SERVICES PAID FROM FUNDS OF FOREIGN GOVERNMENTS (SEE PAR. 4.2401)

The undersigned claims exemption from the tax imposed by Section 4251 of the Internal Revenue Code on the charges shown below, and billed to the undersigned.

The undersigned certifies that such exemption is allowable by law for the reason that he is a representative of a foreign government and that such services were used by said customer or by persons attached to his office, in said customer's official capacity and for official purposes of a government nature.

| | Amount of Tax Credit Claimed |
|---|---|
| Local telephone service, per detail attached . . . | ______ |
| Toll telephone messages, per detail attached . . . | ______ |
| Special services used for official purposes, per detail attached . . . . . . . . . . . . . . . . | ______ |
| Personal long distance calls from hotels, coin and personal telephones # . . . . . . . . . . . | ______ |

Billing Name ______________________

Address ______________________

Foreign Representative of Government of ______________

Service identification ______________
(Account Number or Billing Number)

Signature ______________________
(Authorized representative)

______________________
(Title)

Received by

______________ Telephone Company

__________ (Date)

__________ (Initials)

# Applicable only to consular officers whose foreign governments have treaties with the United States, and to Ambassadors, Ministers and other diplomatic representatives of foreign governments.

ATTACH TO ADJUSTMENT VOUCHER

Effective Date - January 1, 1966

E1072
Exhibit 108A

# ANNUAL CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES TO CONSULAR OFFICERS WHOSE FOREIGN GOVERNMENTS HAVE TREATIES WITH THE UNITED STATES (SEE PAR. 4.2402)

The undersigned claims exemption from the taxes imposed by Section 4251 of the Internal Revenue Code, on charges billed or be be billed the undersigned for telephone service without regard to whether the transaction is official or personal.

The undersigned certifies that such exemption is allowable by law under the terms of a treaty of record between the United States and the country the undersigned represents, and that the undersigned is not engaged in professional business, trade, manufacture, or commerce and is not a citizen of the United States.

Billing Name ______________________

Address ______________________

Name of Foreign Government ______________________

Signature ______________________
(Authorized representative)

______________________
(Title)

Service identification ______________
(Account Number or Billing Number)

Received by

______________ Telephone Company

______________ ______________
(Date) (Initials)

PROTECTED

Effective Date - January 1, 1966

Appendix B-7

E1173
Exhibit 116A

# CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES FOR TELEPHONE OR RADIOTELEPHONE MESSAGES ORIGINATING IN A COMBAT ZONE FROM A MEMBER OF THE ARMED FORCES OF THE UNITED STATES

The undersigned claims exemption from the tax imposed by Section 4251 of the Internal Revenue Code on toll telephone charges in the amount of ________________, and billed to the undersigned.

The undersigned certifies that such exemption is allowable by law in accordance with Section 4253 (d) of the Internal Revenue Code for the reason that the telephone or radiotelephone messages originated within a combat zone, as designed by Executive Order, and were from a member of the Armed Forces of the United States performing service in such combat zone.

Amount of Tax Credit Claimed $ ________

Date of Bill ____________________________________

Message Received from ____________________________
(Name of person)

Message Originated at ____________________________
(Name of combat zone)

Billing Name ____________________________
Address ____________________________
Telephone Number ____________________________
Customer Signature ____________________________

Received by

______________ Telephone Company

____________ ____________
(Date) (Initials)

PROTECTED

ATTACH TO ADJUSTMENT VOUCHER

Effective Date - January 1, 1966

E1074 Appendix B-8

Exhibit 108A

# ANNUAL CERTIFICATE OF EXEMPTION FROM TAX FOR USE BY A SCHOOL OPERATED AS AN ACTIVITY OF A CHURCH, PARISH, OR OTHER RELIGIOUS BODY

_______________, 19____
(Date)

The undersigned hereby certifies that he is ____________________ (Title or capacity) of ______________________________ (School, church, parish, etc.); that he is authorized to execute this certificate; and that the communication services or facilities furnished or to be furnished to the institution by ______________________________ (Telephone, telegraph company, etc.) will be paid for from the funds of the institution and are for the exclusive use of the school.

The school operated as an activity of the church, parish, or other religious body normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

The undersigned understands that the fraudulent use of this certificate for the purpose of securing this exemption will subject him and all guilty parties to a fine of not more than $10,000, or to imprisonment for not more than five years, or both, together with costs of prosecution.

Billing Name ________________________

Address ____________________________

Signature __________________________
(Authorized representative)

__________________________
(Title)

Service identification ____________
(Account Number or Billing Number)

Received by

____________ Telephone Company

_______ (Date) _______ (Initials)

PROTECTED

Effective Date - January 1, 1966

Exhibit 108A

Appendix B-9

# ANNUAL CERTIFICATE OF EXEMPTION FROM TAX FOR USE BY NONPROFIT EDUCATIONAL INSTITUTIONS

__________________, 19___
(Date)

The undersigned hereby certifies that he is ________________________ of
(Title or capacity)
______________________________ ; that he is authorized to execute this
(Exempt organization)
certificate; and that the communication services or facilities furnished or to be furnished to the organization by ______________________________
______________________________
(Telephone, telegraph company, etc.)
will be paid for from funds of the organization and are for the exclusive use of the organization in the educational activities which qualify it for exemption from tax under Section 4294 of the Internal Revenue Code.

The organization claiming exemption under this certificate has received a determination letter (or a ruling) from the Internal Revenue Service holding the organization to be exempt from income tax as an organization described in Section 501 (c) (3) of the Internal Revenue Code (or has received such determination letter (or ruling) under the corresponding provisions of prior revenue laws). The date of such determination letter (or ruling) is ______________ and such determination letter (or ruling) has not been withdrawn or revoked.

The exempt organization normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

The undersigned understands that the fraudulent use of this certificate for the purpose of securing this exemption will subject him and all guilty parties to a fine of not more than $10,000, or to imprisonment for not more than five years, or both, together with costs of prosecution.

Billing Name ______________________

Address ______________________

Signature ______________________
(Authorized representative)

______________________
(Title)

Service identification ______________
(Account Number or Billing Number)

Received by

______________ Telephone Company

______________ ______________
(Date) (Initials)

PROTECTED

Effective Date - January 1, 1966

E1076
Exhibit 108A

Appendix B-10

## STATEMENT THAT COMMUNICATION SERVICES ARE USED AS COMPONENTS OF A TAXABLE SERVICE BY TELEPHONE COMPANY'S CUSTOMER

The undersigned hereby certifies that the services furnished by the ______________ Telephone Company, as enumerated below, will be used exclusively in the rendering of a communication service upon which tax is imposed by Section 4251 of the Internal Revenue Code.

It is understood that no tax will be collected by the telephone company on charges for said services, and that it will be the responsibility of the undersigned to collect such tax as may be due from its customers.

Billing Name ______________________

Address ______________________

Signature ______________________
(Authorized representative)

______________________
(Title)

Service identification ____________
(Account Number or Billing Number)

Received by

______________ Telephone Company

__________ (Date)

__________ (Initials)

PROTECTED

Effective Date - January 1, 1966

E1077
Exhibit 108A

# EXHIBIT A - FEDERAL EXCISE TAX MANUAL

| TAX STATUS | CODE | REFERENCE NUMBER | |
|---|---|---|---|
| N | 122 | 1815C | PL TEL SERVICE - SPECIAL KEY STATION TERMINATION - 30 KEY - MODULE - BMEWS |
| T | 130 | 1075B | PBX EQUIP - CENTREX - DIAL EQUIPMENT - PER LINE TERMINATED IN CONSOLE - ADDITIONAL APPEARANCE |
| N | 13F | 1844C | PL TEL SERVICE - ARRANGEMENT OF INTERCHANGE CHANNEL FOR TRANSMISSION OF DIAL SIGNALS - TWO POINT SERVICES ASSOCIATED WITH INTERCHANGE CHANNEL SWITCHING ARRANGEMENTS |
| N | 14F | 2508C | TELEPHOTOGRAPH SERVICE - CHANNEL TERMINAL - SCHEDULE 1 |
| N | 151 | 2585C | PRIVATE MOBILE TEL SERVICE-ANTENNA SUPPORT PIPE |
| N | 15F | 2509C | TELEPHOTOGRAPH SERVICE - CHANNEL TERMINAL - SCHEDULE 2 |
| N | 161 | 2586C | PRIVATE MOBILE TEL SERVICE-ANTENNA SUPPORT-25 FOOT POLE |
| N | 171 | 2587C | PRIVATE MOBILE TEL SERVICE-ANTENNA SUPPORT-45 FOOT POLE |
| N | 172 | 2153C | TWPL SERVICE - 28 TYPE - KSR - 75 SPEED-WALL MOUNTED |
| N | 181 | 2588C | PRIVATE MOBILE TEL SERVICE-ANTENNA SUPPORT-50 FOOT POLE |
| N | 195 | 1556C | PRIVATE LINE SERVICE - REMOTE METERING ETC - MISC EQUIP - DATA TERMINATION - HIGH SPEED RELAY PROTECTIVE EQUIP |
| D | 1B1 | 2567C | MOBILE TEL SERVICE - PRIMARY EQUIP - GENERAL & DISPATCHING - VHF MARITIME - DUPLEX - SINGLE CHANNEL SET |
| N | 1BJ | 1737C | PL TEL SERVICE - SCAN - SWITCHING CENTER EQUIPMENT AT #5 CROSSBAR - OFFICE TO PROVIDE ONE-LEVEL PRIORITY - SCAN |
| T | 1ES | 27A | INDIVIDUAL EXTENDED MEASURED RESIDENCE |
| N | 1F1 | 2589C | PRIVATE MOBILE TEL SERVICE-ANTENNA SUPPORT-70 FOOT POLE |
| N | 1G1 | 2590C | PRIVATE MOBILE TEL SERVICE-ANTENNA SUPPORT 90 FOOT POLE |
| N | 1H1 | 2591C | PRIVATE MOBILE TEL SERVICE-SPECIAL ANTENNA TOWER SUPPORT |
| N | 1HH | 1738C | PL TEL SERVICE - SCAN - SWITCHING CENTER - PREMPTION PRIORITY - TRUNKS - SCAN |
| N | 1J1 | 2592C | PRIVATE MOBILE TEL SERVICE-LOW POWER SOURCE-SCHEDULE A |
| N | 1JH | 2155C | TWPL SERVICE - MISC EQUIP - 8383 CABINET FOR PUSH BUTTON CALLING & TRANSMITTER START - MASTER STATION |
| N | 1K1 | 2593C | PRIVATE MOBILE TEL SERVICE-LOW POWER SOURCE-SCHEDULE B |
| N | 1KJ | 2157C | TWPL SERVICE - MISC EQUIP - 8383 INTERCEPT ARRANGEMENT - SINGLE LINE |
| N | 1MH | 2156C | TWPL SERVICE MISC EQUIP - 8383 MANUAL TAPE RELAY INTERCONNECTION ARRANGEMENT - MASTER STATION |
| N | 1MJ | 2154C | TWPL SERVICE - MISC EQUIP - 8383 MESSAGE ADDRESSER - OUTLYING STATION |
| T | 1N1 | 76A | EXTENSION STATION ARRANGED FOR 2 PARTY SELECTIVE OPERATION |
| N | 1NJ | 1739C | PL TEL SERVICE - SCAN - SWITCHING CENTER - PREMPTION UP TO - 4-LEVELS & CONFERENCING ARGT FOR 2-POINT PBX TO PBX TIE LINES - - SCAN |
| N | 1P1 | 1408B | INDIVIDUAL PUBLIC - SPECIAL INSTALLATION |
| N | 1PH | 1714C | PL TEL SERVICE - STEP BY STEP DIAL SWITCHING - MEET-ME CONFERENCE - AGRT - 1-6 CIRCUITS |
| N | 1PJ | 1715C | PL TEL SERVICE - STEP BY STEP DIAL SWITCHING - MEET-ME CONFERENCE - AGRT - 7-10 CIRCUITS |
| N | 1Q1 | 1189B | PBX STATION - PRIMARY - WITH CODE RINGING ARRANGEMENT |
| N | 1QH | 1894C | PL TEL SERVICE - MANUAL SWITCHBOARD ARGT - 3-POSITION 5-0 - SWITCHBOARD |
| N | 1RH | 1709C | PL TEL SERVICE - SWITCHED NETWORK - ACKNOWLEDGE TONE GENERATORS |
| N | 1S1 | 1835C | PL TEL SERVICE - DIAL SELECTOR SS1 SIGNALLING - PULSE LENGTHENER |
| N | 1SE | 1878C | PL TEL SERVICE - STANDARD TERMINATION AND LOCAL CHANNEL |
| N | 1TT | 2389C | INDUSTRIAL TELEVISION SERVICE |
| N | 1U1 | 2594C | PRIVATE MOBILE TEL SERVICE-HIGH POWER SOURCE-SCHEDULE A |
| N | 1V1 | 2595C | PRIVATE MOBILE TEL SERVICE-HIGH POWER SOURCE-SCHEDULE B |
| N | 1VH | 1710C | PL TEL SERVICE - SWITCHED NETWORK - AUTOMATIC ANSWERING ARGT |
| N | 1W1 | 93A | CHARGE FOR CHANGE OF LISTING |
| N | 1WH | 1711C | PL TEL SERVICE - SWITCHED NETWORK - ACKNOWLEDGE TONE RECEIVER |

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E1078

Exhibit 108A

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| TAX STATUS | CODE | REFERENCE NUMBER | |
|---|---|---|---|
| N | 1X1 | 648B | 112A KEY-PROGRAMMABLE INTERCOMMUNICATION LINE JACK FIELD |
| N | 1XH | 1708C | PL TEL SERVICE - SWITCHED NETWORK - AUTOMATIC CONNECT LINE - CIRCUIT |
| N | 1Y1 | 649B | 112A KEY-PROGRAMMING PANEL |
| N | 1YH | 1712C | PL TEL SERVICE - SWITCHED NETWORK - MULTIPLE ADDRESS REGISTER |
| N | 1Z1 | 650B | 112A KEY-PRE-PROGRAMMED INTER COMMUNICATING LINE, LINE EQUIPMENT |
| N | 1ZH | 1713C | PL TEL SERVICE - SWITCHED NETWORK - AUTOMATIC CONFERENCE ARRANGER |
| N | 219 | 1879C | 112A KEY - RADIO WIRE LINE COMBINER EXTENSION |
| D | 21G | 651B | 112A KEY-EQUIPMENT FOR ADDITIONAL ATTENDANTS SET-POSITION NOT EQUIPPED FOR MULTI-MONITORING |
| D | 21H | 652B | 112A KEY-EQUIPMENT FOR ADDITIONAL ATTENDANTS |
| N | 21J | 653B | 112A KEY-MULTI-MONITORING EQUIPMENT-EACH SIX LINES ARRANGED |
| D | 21K | 654B | 112A KEY-SPECIAL ATTENDANTS SETS |
| D | 21N | 655B | 112A KEY-VOICE-OPERATED BUSY CONTROL EQUIPMENT |
| N | 21Q | 656B | 112A KEY-LOUDSPEAKER FOR MONITORING RADIO CHANNELS WITH VOLUME CONTROL, LAMP AND AMPLIFIER |
| D | 21U | 660B | 112A KEY-RECORDER-REPRODUCER AND CONTROL EQUIPMENT |
| D | 21V | 659B | 112A KEY-RADIO WIRE-LINE COMBINER |
| N | 21W | 657B | 112A KEY-RADIO CHANNEL TERMINATING EQUIPMENT FOR ONE ACTIVE AND ONE STANDBY RADIO CHANNEL-TERMINATED IN ONE OR TWO ATTENDANTS POSITIONS |
| N | 21X | 658B | 112A KEY-HAND MICROPHONE FOR USE WITH RADIO CHANNEL INCLUDING KEYS AND PUSH-TO-TALK FEATURE |
| N | 232 | 1845C | PL TEL SERVICE - ARRANGEMENT FOR TRANSMITTING & RECEIVING ON CUSTOMER RADIO CHANNEL - ATTENDANTS MULTI CONDUCTOR JACKS & ASSOCIATED EQUIP |
| N | 242 | 1360B | EMERGENCY REPORTING SERVICE - PBX M EQUIP - STATION SWITCHING EQUIP PRIMARY STATION |
| N | 252 | 1646C | PL TEL SERVICE - REMOTE OPERATION OF MOBILE RADIO TELEPHONE - SERVICE - ARRANGEMENT OF GROUND/AIR SWITHING EQUIPMENT & - RECORDER PATCH PANEL FOR START STOP OPERATION OF RECORDERS |
| N | 262 | 138A | ANNOUNCEMENT SERVICE - TIME ANNOUNCEMENT EQUIP - TOTALIZER |
| N | 262 | 145A | ANNOUNCEMENT SYSTEMS - GENERAL ANNOUNCEMENT EQUIP - CALL TOTALIZER REGISTER |
| N | 272 | 1361B | EMERGENCY REPORTING SERVICE - PBX M EQUIP - STATION SWITCHING EQUIP SECONDARY STATION |
| N | 282 | 144A | ANNOUNCEMENT SYSTEMS - GENERAL ANNOUNCEMENT EQUIP - REMOTE METER ASSOCIATED WITH CALL TOTALIZER |
| N | 2A2 | 1138B | PBX EQUIP - TIE LINE CONNECTING ARRANGEMENT - CENTREX SYSTEM TO SATTELITE WITHOUT DID |
| D | 2A7 | 825B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - AUDIBLE TRUNK INDENTIFICATION - COMMON EQUIPMENT |
| D | 2AA | 824B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - INCOMING TRUNK CIRCUIT |
| D | 2AC | 827B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - COMMON EQUIPMENT |
| D | 2AJ | 826B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - POSITION EQUIPMENT |
| D | 2AM | 817B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - ADDITIONAL LAMP CABINET |
| D | 2AO | 821B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - TRANSFER ARRANGEMENTS - AUTOMATIC TO DIAL STATION OR DIAL PBX - PER TRANSFER CIRCUIT |
| D | 2AR | 818B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - DELAYED ANNOUNCEMENT RECORDED AND/OR LIVE - |
| D | 2AT | 822B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - TRANSFER ARRANGEMENTS - AUTOMATIC TO MANUAL STATION OR MANUAL PBX - PER TRANSFER CIRCUIT |
| D | 2AU | 823B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - AUDIBLE TRUNK IDENTIFICATION |
| N | 2AV | 828B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - LINE EQUIPMENT FOR OUTWARD SERVICE FROM MECHANICAL EQUIPMENT OF ASSOCIATED PBX |

E1079
Exhibit 108A

| TAX STATUS | CODE | REFERENCE NUMBER | |
|---|---|---|---|
| | | | SERVICE |
| D | 2AW | 820B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - AUXILIARY O/G TRUNKS - INCOMING - PER INCOMING TRUNK GROUP |
| D | 2AY | 819B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - AUXILIARY O/G TRUNKS - SWBD - PER INCOMING TRUNK |
| D | 2AZ | 816B | AUTOMATIC CALL DISTRIBUTOR - MODEL 2A - ADDITIONAL SUPERVISORS CABINET |
| D | 2B1 | 2562C | MOBILE TEL SERVICE - PRIMARY EQUIP - GENERAL & DISPATCHING - VFH MARITIME - DUPLEX - 2 CHANNEL SET |
| N | 2B2 | 687B | 112A KEY - POSITIVE CONTROL OF INTERCEPT AIRCRAFT TERMINATION |
| N | 2CH | 1846C | PL TEL SERVICE - DIAL SELECTOR SSI SIGNALING - SWITCH HOOK - CONTROL OF INTEREXCHANGE SWITCHING ARGT |
| T | 2ES | 44A | 2 PARTY EXTENDED MEASURED RESIDENCE |
| N | 2FF | 2383C | PROGRAM TRANSMISSION SERVICE - SWITCHES - REMOTE CONTROL INTER- - EXCHANGE CHANNEL SWITCHING ARRANGEMENT |
| N | 2GF | 2368C | DATA EQUIPMENT - CABINET FOR MOUNTING DATA SETS OR INTERCHANGE SIGNAL CONVERTERS |
| N | 2HF | 1890C | PL TEL SERVICE - SIGNAL LINE FILTER |
| N | 2IY | 1350B | EMERGENCY REPORTING SERVICE - GROUP ALERTING & DISPATCHING SERVICE - CIVIL DEFENSE SIGNAL CONTROL NETWORK - CONTROL STATION EQUIPMENT - FOR CENTRAL OFFICE LOCATION |
| N | 2IZ | 1349B | EMERGENCY REPORTING SERVICE - GROUP ALERTING & DISPATCHING SERVICE - CIVIL DEFENSE SIGNAL CONTROL NETWORK - COMMON EQUIPMENT FOR SUBORDINATE CENTRAL OFFICE - MULTI-GROUP SYSTEM |
| N | 2JF | 2378C | DATA EQUIPMENT - CHANNEL TERMINAL FOR 1ST STATION IN EXCHANGE ON A SERVICE - SCHEDULE 4 - OVER 25 MILES |
| D | 2JJ | 2291C | TTY MISC. EQUIP. - IDLE LINE MOTOR CONTROL UNIT |
| N | 2JO | 1803C | PL TEL SERVICE - INTERNAL VOICE COMMUNICATIONS PHASE 1 MODE 3 - AIR/GROUND LINE TERMINATING EQUIP - AMPLIFIER PER CHANNEL MONITORED |
| N | 2MF | 1889C | PL TEL SERVICE - DISTINCTIVE ALERTING TONE ARRANGEMENT |
| N | 2MH | 1893C | PL TEL SERVICE - SECONDARY SUPERVISING STATION - NON-CODED - SENSING & CONTROL UNIT |
| N | 2NE | 2500C | TELEPHOTOGRAPH SERVICE - EXTENSION SERVICE - CHANNEL TERMINAL - SERVICE NOT CONNECTED TO GOVERNMENT SERVICE |
| N | 2NF | 1575C | PRIVATE LINE SERVICE - REMOTE METERING ETC. - TT GRADE - LOW FREQUENCY GRADE - ARGT TO TRANSMIT FUNCTIONAL CODES, ASSURE CIRCUIT CONTINUITY AND GIVE VISUAL AND AUDIBLE INDICATION OF OPERATION |
| N | 2NH | 1847C | PL TEL SERVICE - DIAL SELECTION EQUIPMENT NON-CODED 4-WIRE LOOP - CIRCUIT ASSURANCE ARGT |
| N | 2NJ | 1848C | PL TEL SERVICE - DIAL SELECTION EQUIPMENT - CIRCUIT CONNECT & - BUSY TONE ARGT |
| T | 2PT | 40A | 2 PARTY FLAT RESIDENCE WITH TOUCH-TONE CALLING |
| N | 2QE | 2501C | TELEPHOTOGRAPH SERVICE - CHANNEL TERMINAL - SCHEDULE 2 - TWO WAY SIMULTANEOUS OPERATION |
| N | 2QF | 1814C | PL TEL SERVICE - SPECIAL PORTABLE TELEPHONE TERMINATION- E/W 107A LOUDSPEAKER AND PUSH-TO-TALK HANDSET |
| N | 2SE | 1874C | PL TEL SERVICE - STANDARD TERMINATION AND LOCAL CHANNEL EXTENSION - SAME BUILDING |
| N | 2TE | 1591C | PL TEL SERVICE - ALTERNATE USE - REMOTE METERING ETC - CHANNEL TERMINAL - PER SERVICE POINT |
| N | 2UE | 1872C | PL TEL SERVICE - CHANNEL TERMINAL - PER SERVICE POINT |
| N | 2XE | 1873C | TWPL SERVICE - MISC EQUIPMENT - CHANNEL TERMINAL - SINGLE SERVICE - 100 SPEED |
| D | 316 | 393A | RECEIVER - SPECIAL - EQUIPPED WITH TRANSMITTER AMPLIFIER - 6 WIRE PUSH TO TALK - PLANTONIC |

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| TAX STATUS | CODE | REFERENCE NUMBER | |
|---|---|---|---|
| D | 31B | 2286C | TTYMISC EQUIP - PRINTING SUPPRESSOR FOR PAGE TELETYPEWRITER WITH TYPE BOX - ADDITIONAL |
| D | 31N | 391A | RECEIVER-SPECIAL-EQUIPPED WITH TRANSMITTER AMPLIFIER-WITH PUSH TO TALK FEATURE |
| D | 31P | 392A | RECEIVER - SPECIAL - EQUIPPED WITH TRANSMITTER AMPLIFIER - WITH PUSH TO TALK FEATURE - WITH LONG CORD |
| D | 31Q | 394A | RECEIVER-SPECIAL-EQUIPPED WITH TRANSMITTER AMPLIFIER-WITH PUSH TO TALK FEATURE-USED IN LIEU OF REGULAR RECEIVER |
| D | 31R | 395A | RECEIVER-SPECIAL-EQUIPPED WITH TRANSMITTER AMPLIFIER-ADDITIONAL EARPIECE |
| N | 31V | 1351B | - EMERGENCY REPORTING SERVICE - GROUP ALERTING & DISPATCHING SERVICE - CIVIL DEFENSE SIGNAL CONTROL NETWORK - BUSY LINE WARNING TONE ARRANGEMENT |
| D | 31W | 399A | RECEIVER - SPECIAL HEADSET ASSEMBLY - PLANTONIC - MS50-23 |
| D | 31X | 398A | RECEIVER - SPECIAL HEADSET ASSEMBLY - ADDITIONAL - PLANTONIC |
| N | 322 | 269A | WEBSTER TELETALK - INTERCOM WEBSTER - SPEAKER STATION |
| D | 324 | 2274C | TTY MISC EQUIP FORM OUT ALARM - CONTROL EQUIP - TO ACTIVATE ONE |
| N | 327 | 2147C | TWPL SERVICE - LOOP SWITCHBOARD AND ALARM ARRANGEMENT - FOR TERMINATING UP TO SIX DUPLEX SERVICES |
| N | 328 | 2145C | TWPL SERVICE - CONTROL ARRANGEMENT FOR TWO 28RTS - BASIC ARRANGEMENT FOR STANDARD END - OF - MESSAGE CODE |
| N | 329 | 2146C | TWPL SERVICE - CONTROL ARRANGEMENT PER 28 RT - INCREMENTAL ARRANGEMENT FOR NON - STANDARD END - OF - MESSAGE CODE |
| N | 32B | 2084C | TWPL SERVICE - 83H - AUTOMATIC START AND INTERCEPT ARRANGEMENT - FOR 28 TT IN ASSOCIATION WITH COAM BUSINESS MACHINE |
| N | 32C | 2363C | DATA EQUIPMENT - TERMINAL EQUIPMENT - REPEATER ARRANGEMENT - EACH ADDITIONAL - SCHEDULE 4 - TYPE 4 - /BMEWS/ |
| D | 32D | 2279C | TTY MISC EQUIP - TABULATOR, HORIZONTAL WITH CUTOFF - FOR USE WITH A TT WITH TYPE BOX WITH AUTOMATIC TRANSMITTER |
| D | 32E | 2280C | TTY MISC EQUIP - TABULATOR HORIZONTAL WITH CUTOFF - FOR USE WITH A SENDING & RECEIVING TT WITH TYPE BOX |
| D | 32H | 2281C | TTY MISC EQUIP - TABULATOR, HORIZONTAL WITH CUTOFF - FOR USE WITH FORM FEED OUT ON A TT WITH TYPE BOX |
| N | 32T | 482A | - APARTMENT HOUSE LOBBY SERVICE - TENANTS TELEPHONE - NOT COMBINED SERVICE - MANUAL PBX |
| N | 32U | 1335B | EMERGENCY REPORTING SERVICE - INDUSTRIAL ALERTING SERVICE - RECORDED ANNOUNCEMENT ARRANGEMENT - SINGLE GROUP OPERATION COMMON EQUIPMENT |
| N | 32W | 1336B | EMERGENCY REPORTING SERVICE - INDUSTRIAL ALERTING SERVICE - RECORDED ANNOUNCEMENT ARRANGEMENT - MULTI GROUP OPERATION - COMMON EQUIPMENT |
| N | 32X | 1337B | EMERGENCY REPORTING SERVICE - INDUSTRIAL ALERTING SERVICE - RECORDED ANNOUNCEMENT ARRANGEMENT ALTERNATE CONTROL STATION |
| N | 32Y | 480A | APARTMENT HOUSE LOBBY SERVICE - TENANTS TELEPHONE - NOT COMBINED SERVICE |
| N | 32Z | 481A | APARTMENT HOUSE LOBBY SERVICE - TENANTS TELEPHONE - ADDITIONAL - NOT COMBINED SERVICE |
| D | 3A1 | 840B | AUTOMATIC CALL DISTRIBUTOR - MODEL 3A - INCOMING TRUNK CIRCUIT |
| D | 3A2 | 834B | AUTOMATIC CALL DISTRIBUTOR - MODEL 3A - AUXILIARY O/G TRUNKS - SWBD - PER INCOMING TRUNK |
| D | 3A3 | 831B | AUTOMATIC CALL DISTRIBUTOR - MODEL 3A - ADDITIONAL LAMP CABINET |
| D | 3A4 | 830B | AUTOMATIC CALL DISTRIBUTOR - MODEL 3A - ADDITIONAL SUPERVISORS CONSOLE - |
| D | 3A5 | 835B | AUTOMATIC CALL DISTRIBUTOR - MODEL 3A - AUXILIARY O/G TRUNKS - INCOMING - DIAL , PER INCOMING TRUNK |
| D | 3A8 | 833B | AUTOMATIC CALL DISTRIBUTOR - MODEL 3A - DELAYED ANNOUNCEMENT - RECORDED |

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E1081
Exhibit 108A

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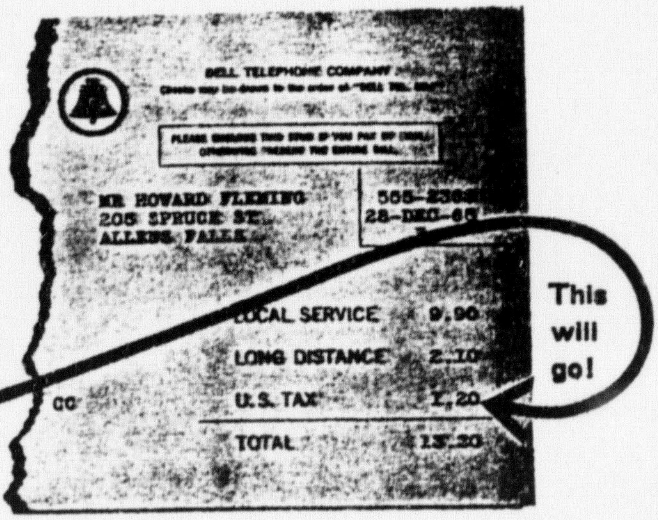
E1082
Exhibit 108A

# TAX CUT

## will mean smaller phone bills


BELL TELEPHONE COMPANY
MR HOWARD FLEMING
205 SPRUCE ST.
ALLENS FALLS
555-236
28-DEC-65
LOCAL SERVICE 9.90
LONG DISTANCE 2.10
U.S. TAX 1.20
TOTAL 13.20
This will go!

The phone bills you receive beginning January 1, 1966, will reflect a cut from the present 10% to 3% in the Federal excise tax on your service, both local and Long Distance.

The saving in a year's time will amount to almost the cost of a month's telephone service.

That's good news, with more to come. On each succeeding January 1, an additional 1% cut will occur, so that by 1969, the entire 10% Federal excise tax on telephone service will be ended.

No excise tax revenues have ever gone to the telephone company. Instead, over the years, we have merely collected the money for the United States government.

This is not the only excise tax that has been repealed by Congress. A large number of such taxes have been abolished in order to stimulate the economy. But we are especially happy that the telephone customer has been relieved of this burden on the only household utility still subject to Federal excise tax.

You can be sure there will be no reduction in our efforts to give you the world's finest service!

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**Bell System**
American Telephone and Telegraph
and Associated Companies

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E1083
Exhibit 108A

# ASSOCIATED COMPANY INFORMATION ACTIVITIES

## EXCISE TAX REDUCTION

(October, 1965)

### Summary

Associated Company information activities in connection with the Excise Reduction Act of June, 1965, centered in these areas: employee information, news releases, media advertising and bill inserts.

Their activities in each of these categories may be summed as follows:

Employee Information -- Each of the 18 companies used printed media (employee bulletins, management publications, newspapers or magazines) to inform employees that the Excise Reduction Act was signed. In addition, the Pacific Company included the news item on its taped "communicators," and Ohio scheduled the subject in its discussion programs.

News Releases -- Eleven companies have distributed releases to newspapers within their areas. They are: Chesapeake & Potomac, Cincinnati & Suburban, Illinois, Michigan, Mountain States, New Jersey, Ohio, Pennsylvania, Southern Bell, Southern New England, and Wisconsin.

Bill Inserts -- Sixteen companies informed customers in Bill Inserts one or more times of the forthcoming reduction; two others (Pacific and Pacific Northwest) plan to do so. Also, most companies plan further Insert announcements.

Media Advertising -- Five Companies (New Jersey, Ohio, Southern Bell, Pennsylvania and Southern New England) have used paid advertising to tell customers about the reduction. The Illinois Bell Co. used a one-minute TV spot seven times to inform customers.

Other Data: Legislative situations in four company areas (New England, Pacific, Pacific Northwest and the Mountain States) were factors in limiting their information activities. Pacific anticipates an excise levy from a legislative session in California in October; Pacific Northwest was forestalled by a legislature in session; and New England expects a 5% sales tax in Massachusetts.

A.T.&T.'s services to the companies in connection with the tax reduction were as follows: in the Public Relations Department, employee information distributed an informational article at the time the bill was signed; the programs division prepared and distributed four sample bill inserts; and the advertising division prepared ads for company adaptation. The Public Relations and Comptrollers Departments jointly prepared a general background binder which was distributed to General Counsels, Regulatory Representatives, Comptrollers, Public Relations and Public Affairs Representatives.

E1084
Exhibit 108A

All Companies: Every company reports informing all employees via bulletins, newspapers or magazines of the repeal of the excise tax.

## CHESAPEAKE & POTOMAC

| | |
|---|---|
| Public Information: | News releases were issued to the general press. The West Virginia Company localized for each community the dollar savings that would result from the tax reduction in January. |
| Bill Inserts: | A "special" bill insert issued with the regular insert in July by the Washington, D.C. and West Virginia companies: others used bill insert in August. The subject continues to be mentioned in monthly inserts; a "splash" planned for January. |
| Advertising: | None |

## CINCINNATI & SUBURBAN

| | |
|---|---|
| Public Information: | News release to the two dailies and all of the weeklies in the company's area. Both of the dailies and 18 of the weeklies used the material. |
| Bill Insert: | One issued after repeal. |
| Advertising: | None. |

## ILLINOIS

| | |
|---|---|
| Public Information: | News releases issued; wide pickup. |
| Bill Insert: | Run in August; others likely in January. |
| Advertising: | 1-minute TV commercial has run in 7 spots.<br>No print or media ads; relying on AT&T ads to do that chore. |

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E1085
Exhibit 108A

## INDIANA BELL

| | |
|---|---|
| Public Information: | None issued. |
| Bill Inserts: | Used in July, will be mentioned again in November and January. |
| Advertising: | None. |
| Other Data: | Employee newspaper printed the photos of all congressmen, and the savings to telephone users in each congressman's district. |

## MICHIGAN

| | |
|---|---|
| Public Information: | Fact leaflet distributed to "selected" editors throughout state; widely used. |
| Bill Inserts: | Lead in August, mentioned in September, reminding in October and November. Used $38-million figure as savings. |
| Advertising: | None. |

## MOUNTAIN STATES

| | |
|---|---|
| Public Information: | One news release in July; another planned in December. |
| Bill Inserts: | In July, another coming in October and January.<br>Also, a bill stamp is in use informing customers of the forthcoming reduction. |
| Advertising: | None. |

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E1086
Exhibit 108A

## NEW ENGLAND

| | |
|---|---|
| Public Information: | None. (see other data). |
| Bill Inserts: | Used in July and August, planned again for January. |
| Advertising: | None yet; awaiting legislature in Mass. (see below) |
| Other Data: | Maine has imposed a 4% sales tax; Rhode Island has upped its 3% sales tax to 4%; and Massachusetts considering a 5% excise tax. |

## NEW JERSEY

| | |
|---|---|
| Public Information: | News releases issued; widely used. |
| Bill Inserts: | Issued in July; dollar savings used. |
| Advertising: | In August; another in December. |

## NEW YORK

| | |
|---|---|
| Public Information | "Talk from" fact sheet distributed to commercial managers. |
| Bill Insert: | Repeal included with regular material of Insert. |
| Advertising: | None. |

## NORTHWESTERN

| | |
|---|---|
| Public Information: | No news releases. |
| Bill Inserts: | Used in July and August |
| Advertising: | None. |

PROTECTED

E1087
Exhibit 108A

## OHIO

| | |
|---|---|
| Public Information: | Press releases estimating savings to Ohio telephone users; heavy use. |
| Bill Insert: | In June; others planned for January and December. |
| Advertising: | Localized versions of AT&T samples. |

## PACIFIC NORTHWEST

| | |
|---|---|
| Public Information: | News releases planned for November. |
| Bill Insert: | Planned for November. |
| Advertising: | Being considered. |
| Other Data: | Company "holding fire" on public campaign because of worry legislature may re-impose a state version of the tax. |

## PACIFIC COMPANY

| | |
|---|---|
| Public Information: | A round of news releases planned for mid-November (see other data). |
| Bill Insert: | Planned for the future. |
| Advertising: | Under consideration. |
| Other Data: | Special session of the legislature scheduled for October with "indications" that a state levy will be imposed. |

## PENNSYLVANIA

| | |
|---|---|
| Public Information: | Material released to newspapers. |
| Bill Insert: | Used in July. |
| Advertisement: | With boxed excise data, used in June. |

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E1088
Exhibit 108A

## SOUTHERN BELL

| | |
|---|---|
| Public Information: | News releases supplied to publications. |
| Bill Insert: | Used in August. |
| Advertising: | Used in August. |

## SOUTHERN NEW ENGLAND

| | |
|---|---|
| Public Information: | News releases issued by all companies. |
| Bill Inserts: | About 50 independents used an insert prepared by Southwestern in June.<br>Southwestern's insert in August. Independents re-ran.<br>Plan another for November. |
| Advertising: | Ad distributed in July on dollar savings of tax cut. |
| Other Data: | Business office posters used in July, and planned for October.<br>Shareowner interviewees mentioning the forthcoming tax cut. |

## WISCONSIN

| | |
|---|---|
| Public Information: | News release issued shortly after signing; another being considered for January. |
| Bill Inserts: | Issued in August; another planned for January. |
| Advertising: | Under consideration for January. |

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Exhibit 108A

## STATES WHERE SALES TAX HAS BEEN LEVIED
## TAXES APPLICABLE TO TELEPHONE SERVICE
## (Sept., 1965)

| States | Sales Tax Rate % | Local Service Incl. Message Units % | Intra-State Tolls % | Service Conn. Charge % | Sale of Directories % | Directory Advertising % | Coin Box Calls % |
|---|---|---|---|---|---|---|---|
| Alabama . . . . | 4 | | | | | | |
| Arizona . . . . | 3 | 1-1/2 | 1-1/2 | | 1-1/2 | 1-1/2 | 1-1/2 |
| Arkansas . . . | 3 | 3 | 3 | | 3 | | 3 |
| California . . | 3 | | | | | | |
| Colorado. . . . | 3 | 3 | 3 | 3 | 3 | | 3 |
| Connecticut . . | 3-1/2 | | | | | | |
| Florida . . . . | 3 | | | | | | |
| Georgia . . . . | 3 | 3 | | | | | |
| Idaho . . . . . | 3 | | | | | | |
| Illinois . . . | 3-1/2 | | | | | | |
| Indiana . . . . | 2 | 2* | 2 | | | | |
| Iowa. . . . . . | 2 | 2 | 2 | | 2 | | 2 |
| Kansas . . . . | 3 | 3 | 3 | | 3 | | 3 |
| Kentucky. . . . | 3 | 3 | 3 | 3 | | | 3 |
| Louisiana . . . | 2 | | | | | | |
| Maine . . . . . | 4 | 4 | 4 | 4 | | | 4 |
| Maryland. . . . | 3 | | | | | | |
| Michigan. . . . | 4 | 4 | 4 | | 4 | | |
| Mississippi . . | 3-1/2 | 3-1/2 | 3-1/2 | 3-1/2 | 3-1/2 | | 3-1/2 |
| Missouri. . . . | 3 | 3 | 3 | 3 | 3 | | |
| Nevada. . . . . | 2 | | | | | | |
| New Mexico. . . | 3 | 3 | 3 | | 3 | 3 | 3 |
| New York (A). . | 2 | 2 | 2 | 2 | | | 2 |
| North Carolina. | 3 | | | | | | |
| North Dakota (B) | 2-1/4 | 2-1/4 | 2-1/4 | | 2-1/4 | | 2-1/4 |
| Ohio. . . . . . | 3 | | | | | | |
| Oklahoma. . . . | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Pennsylvania. . | 5 | 5 | 5 | | 5 | | |
| Rhode Island. . | 4 | 4 | 4 | 4 | 4 | | 4 |
| South Carolina. | 3 | 3 | | | | | 3 |
| South Dakota. . | 3 | 3 | 3 | | 3 | | 3 |
| Tennessee . . . | 3 | | | | | | |
| Texas . . . . . | 2 | | | | | | |
| Utah. . . . . . | 3 | 3 | 3 | | 3 | | 3 |
| Washington. . . | 4.2 | | | | | | |
| West Virginia . | 3 | | | | | | |
| Wisconsin . . . | 3 | 3 | 3 | | | | |
| Wyoming . . . . | 2 | 2 | 2 | | 2 | | 2 |
| Washington, D.C. | 3 | | | | | | |

*Applies to main line service only does not include charges for extension telephones or other special equipment.

A - Change effective 8/1/65

B - Effective date of increase to 3% delayed pending outcome of a referendum to be held in September.

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E1090
Exhibit 108A

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E1091

Exhibit 108A

# FEDERAL EXCISE TAXES ON COMMUNICATION SERVICES

| Title of Tax Law and Effective Date / Taxable Services | Emergency Revenue Law - 1914 12/1/14 | Federal Revenue Act - 1916 9/8/16 | War Tax Law - 1917 11/1/17 | Revenue Act of 1918 4/1/19 | Revenue Act of 1921 1/1/22 | Revenue Act of 1924 7/3/24 | Revenue Act of 1932 6/21/32 | Revenue Act of 1941 10/1/41 |
|---|---|---|---|---|---|---|---|---|
| TELEPHONE MESSAGES: | | | | | | | | |
| $ .15 to $ .50 ........ | | | | 5¢ | 5¢ | Repealed | | Messages Under 25¢ Taxed as Local |
| $ .15 and Over ........ | 1¢ | Repealed | 5¢ | | | | | |
| $ .25 and Over ........ | | | | | | | | 5¢ for Each 50¢ or Fraction |
| $ .50 to $ .99 ........ | | | | | | | 10¢ | |
| $ .51 and Over ....... | | | | 10¢ | 10¢ | Repealed | | |
| $1.00 to $1.99 ........ | | | | | | | 15¢ | |
| $2.00 and Over ....... | | | | | | | 20¢ | |
| TELEGRAPH, CABLE OR RADIO MESSAGES: | | | | | | | | |
| $ .15 to $ .50 ........ | | | | 5¢ | 5¢ | Repealed | | |
| $ .15 and Over ....... | 1¢ | Repealed | 5¢ | | | | | |
| $ .51 and Over ....... | | | | 10¢ | 10¢ | Repealed | | |
| All Telegraph Messages | | | | | | | 5% | |
| All Cable and Radio Messages .......... | | | | | | | 10¢ | |
| All Telegraph, Cable and Radio Messages .. | | | | | | | | 10% |
| Domestic Telegraph, Cable & Radio Msgs. ... | | | | | | | | |
| International Telegraph, Cable & Radio Msgs. . | | | | | | | | |
| LEASED WIRES: | | | | | | | | |
| Between Local Service Areas .............. | | | | 10% | 10% | Repealed | 5% | |
| All Leased Wires ...... | | | | | | | | 10% |
| WIRE AND EQUIPMENT SERVICE ............ | | | | | | | | 5% |
| LOCAL TELEPHONE SER. AND "ALL OTHER": | | | | | | | | |
| All Local Telephone Service and Toll Messages Under 25¢ ..... | | | | | | | | 6% |
| PROVIDES FOR TERMINATION DATE............ | Yes | — | No | No | No | — | Yes | No |

Note : Where the tax rate in the above tabulation is an amount of money, the rate applies to each message in the class.

Where the tax rate is a percentage, the rate applies to the total of the charges in each class, except in the case of messages originated at coin box telephones in which case the rate is applied to each message and amount of tax is computed to the nearest nickel.

Where a rate is not repeated in this table, the rate was repealed where so noted, otherwise it is absorbed in another rate.

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E1092
Exhibit 108A

# FEDERAL EXCISE TAXES ON COMMUNICATION SERVICES

| Title of Tax Law and Effective Date / Taxable Services | Revenue Act of 1942 11/1/42 | Revenue Act of 1943 4/1/44 | Excise Tax Act of 1947 3/11/47 | Revenue Act of 1951 11/1/51 | Excise Tax Reduction Act of 1954 4/1/54 | Internal Revenue Code of 1954 1/1/55 | Technical Changes Act of 1958 1/1/59 | Tax Rate Extension Act of 1959 7/1/59 |
|---|---|---|---|---|---|---|---|---|
| **TELEPHONE MESSAGES:** | | | | | | | | |
| $ .15 to $ .50 ..........<br>$ .15 and Over ........ | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Within Local Ser. Area Taxed As General–Toll Msgs. Taxed As Toll | Messages Within Local Ser. Area Taxed As General–Toll Msgs. Taxed As Toll |
| $ .25 and Over ........ | 20% | 25% | 25%* | 25%* | 10% | 10% | | |
| **TELEGRAPH, CABLE OR RADIO MESSAGES:** | | | | | | | | |
| All Telegraph, Cable and Radio Messages ... | | | | | 10% | 10% | 10% | 10%* |
| Domestic Telegraph, Cable & Radio Msgs.... | 15% | 25% | 25%* | 15% | | | | |
| International Telegraph, Cable & Radio Msgs.... | 10% | 10%* | 10%* | 10%* | | | | |
| **TOLL TELEPHONE SERV.** | | | | | | | | |
| All Toll Messages...... | | | | | | | 10% | 10%* |
| **LEASED WIRES:** | | | | | | | | |
| All Leased Wires ...... | 15% | 25%# | 25%* | 25%* | 10% | 10% | | |
| **TELETYPEWRITER EXCH. SERVICE** ............ | | | | | | | 10% | 10%* |
| **WIRE MILEAGE SERVICE AND "ALL OTHER:"...** | | | | | | | 10% | 10%* |
| **WIRE AND EQUIPMENT SERVICE** ........... | 5% | 8% | 8%* | 8%* | 8% | 8% | 8% | 8%* |
| **LOCAL TELEPHONE SER. AND "ALL OTHER":** | | | | | | | | |
| All Local Telephone Service and Toll Messages Under 25¢ ..... | 10% | 15%# | 15%* | 15%* | 10% | 10% | | |
| **GENERAL TELEPHONE SERVICE:** | | | | | | | | |
| All Telephone Service with Access to Exchange System ........... | | | | | | | 10% | 10% |
| **PROVIDES FOR TERMINATION DATE** ......... | No | Yes | No | No | No | No | No | Yesϕ |

Note: Where the tax rate in the above tabulation is an amount of money, the rate applies to each message in the class. Where the tax rate is a percentage, the rate applies to the total of the charges in each class, except in the case of messages originated at coin box telephones in which case the rate is applied to each message and amount of tax is computed to the nearest nickel.

≠ Where a rate is not repeated in this table, the rate was repealed where so noted, otherwise it is absorbed in another rate.

* Continued without specific mention in this Act.

# Effective with bills rendered on and after May 1, 1944.

ϕ The Tax Rate Extension Act of 1959 provided that the tax on general telephone service would terminate on June 30, 1960. Subsequent tax rate extension acts have extended this tax for additional periods of a year.

§ The Tax Rate Extension Act of 1962 provided an exemption from tax for most private lines used in the conduct of a trade or business.

E1093
Exhibit 108A

# FEDERAL EXCISE TAXES ON COMMUNICATION SERVICES

| Title of Tax Law and Effective Date | Tax Rate Extension Act of 1962 1/1/63 | Excise Tax Reduction Act of 1965 | | | |
|---|---|---|---|---|---|
| Taxable Services | | 1966 | 1967 | 1968 | 1969 |
| TELEPHONE MESSAGES.. | Messages Within Local Ser. Area Taxed As General— Toll Msgs. Taxed As Toll | Messages Within Local Ser. Area Taxed As Local Toll Msgs. Taxed As Toll | Messages Within Local Ser. Area Taxed As Local Toll Msgs. Taxed As Toll | Messages Within Local Ser. Area Taxed As Local Toll Msgs. Taxed As Toll | Tax Terminates |
| TELEGRAPH, CABLE OR RADIO MESSAGES:<br>All Telegraph, Cable and Radio Messages ... | 10%* | Repealed | Repealed | Repealed | |
| TOLL TELEPHONE SERV.<br>All Toll Messages ..... | 10%* | 3 | 2 | 1 | |
| TELETYPEWRITER EXCH. SERVICE ........... | 10%* | 3 | 2 | 1 | |
| WIRE MILEAGE SERVICE AND "ALL OTHER:" ... | 10%*§ | Repealed | Repealed | Repealed | |
| WIRE AND EQUIPMENT SERVICE ........... | 8%* | Repealed | Repealed | Repealed | |
| LOCAL TELEPHONE SERVICE:<br>Telephone Service with Access to Exchange System ........... | | 3 | 2 | 1 | |
| GENERAL TELEPHONE SERVICE:<br>All Telephone Service with Access to Exchange System ............ | 10%*§ | | | | |
| PRIVATE COMMUNICATION SERVICE:<br>All Private Line Service and PBX Systems | 10%*§ | | | | |
| PROVIDES FOR TERMINATION DATE ......... | Yes | Yes | Yes | Yes | |

Note: The tax rate applies to the total of the charges in each class, except in the case of messages originated at coin telephones in which case the rate is applied to each message and amount of tax is computed to the nearest nickel.

Where a rate is not repeated in this table, the rate was repealed where so noted, oth[illegible] ba[illegible] i[illegible] another rate.

* Continued without specific mention in this Act.

§ The tax reduction Act of 1962 provided an exemption from tax for private lines used in the conduct of a trade or business.

PROTECTED

E1094
EXHIBIT 108B
Document entitled "Conference on
Communications Taxes"

Comptroller's Department - General Tax Section

# CONFERENCE ON COMMUNICATIONS TAXES

NEW YORK
October 6 & 7
October 13 & 14

USA 33e - 475
(ED. 4-23-71)

PLAINTIFF

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

108 B

FPI-MI—9-24-71-50M-4417

American Telephone & Telegraph Company
195 Broadway, New York, N.Y. 10007

E1095
Exhibit 108B

# Excise Tax Meeting
# October 13 & 14, 1965
# American Telephone and Telegraph Company Participants

## Comptrollers Department

Robert N. Flint, Assistant Comptroller

Walter L. Kidd, General Tax Accountant

Carl E. Erickson, Supervising Tax Accountant

Raymond A. Rathka, Tax Accountant

Richard H. Popp, Tax Accountant

Byron R. Parrish, Data Systems Representative

## Legal Department

Ernest R. Charvat, Tax Attorney

## Marketing Department

Ralph M. Schultz, Marketing Analysis Supervisor

Merle C. Conley, Product Analysis Supervisor

## Operations Department

James F. Gallagher, Commercial Methods Supervisor

## Planning Department

Robert D. Weber, Exchange Rate Supervisor

E1096

Exhibit 108B

Excise Tax Meeting

October 6 & 7, 1965

Associated Company and Long Lines Participants

Southern New England Telephone Company

S. R. Krier, Acctg.
M. Loukides, Acctg.
D. F. Clark, Acctg.
G. F. Chandler, Jr., Coml.
R. M. Pedlow (Miss), Coml.
J. B. Curtin, Legal
H. Loomis, Rates

New York Telephone Company

P. Wagner, Legal
M. Mallory (Mrs.), Legal
C. A. Daley, Coml.-Rates
G. W. Moran, Mktg.
R. C. Shaw, Mktg.
R. O. Fraser, Acctg.
J. E. Ward, Acctg.
D. A. Field, Acctg.
C. C. Pflaum, Mktg.

New Jersey Bell Telephone Company

B. W. Venza, Bus.Sys.
J. S. Ham, Coml.
W. P. Grady, Mktg.
W. L. Kirchner, Legal
L. LeCain, Rates

The Bell Telephone Company of Pennsylvania

J. B. Griffith, Acctg.
W. G. Springman, Acctg.
T. A. Everly, Jr., Legal
J. V. Townsend, Coml.
J. Hartman, Rates-Mktg.

The Chesapeake and Potomac Telephone Companies

P. M. Peabody, Rates

The Chesapeake and Potomac Telephone Company

P. W. Bailey, Acctg.
J. L. Duvall (Mrs.), Acctg.
J. G. Grant, Acctg.
E. L. Fitzgerald (Miss), Coml.

Exhibit 108B

The Chesapeake and Potomac Telephone Company of Maryland

J. M. Stack, Mktg.
J. N. Tine, Acctg.
M. Brittingham (Miss), Acctg.
F. C. Miller, Acctg.
C. L. Mitchell, Coml.

The Cincinnati and Suburban Bell Telephone Company

J. C. Whittaker, Acctg.
E. R. Huffman, Legal
E. R. Stevens, Mktg.
J. Nieb (Miss), Coml.-Rates
A. F. Hohman, Rates

Indiana Bell Telephone Company, Incorporated

K. F. Lewsader, Acctg.
R. J. Richert, Acctg.
J. Ellis, Rates
B. N. Cracraft, Legal
N. Snyder, Mktg.
W. Cresson, Coml.

Wisconsin Telephone Company

J. M. Wetzel, Acctg.
C. H. Knoebel, Acctg.
R. N. Anderson, Acctg.
R. D. Dowling, Legal
J. J. Hadfield, Coml.

Illinois Bell Telephone Company

W. C. Jones, Legal
L. R. Stang, Rates
T. G. Richards, Coml.
E. S. Thompson, Acctg.

The Pacific Telephone and Telegraph Company

H. D. Brown, Acctg.
F. E. Cahill, Legal
C. R. Gondak, Rates
H. Hueter, Coml.
W. E. Weyrich, Mktg.
M. W. Cherry, Coml.
R. W. Trulock, Mktg.

Long Lines Department

R. M. Barry, Legal

Bell Telephone Laboratories, Inc.

R. J. Ritter, Legal

E1098
Exhibit 108B

# Excise Tax Meeting
## October 13 & 14, 1965
## Associated Company and Long Lines Participants

### New England Telephone and Telegraph Company

J. D. Shaw, Jr. - Legal
R. P. Perkins - Rates
C. J. Morgan - Sales
J. F. Kelly - Coml.
C. C. Herlihy - Acctg.
F. H. Norton - Acctg.
A. D. Dallas - Acctg.

### The Chesapeake and Potomac Telephone Companies

H. W. Lewis - Legal
N. J. McDonnell - Acctg.
M. G. Kay - Mktg.

### The Chesapeake and Potomac Telephone Company

C. B. Blomquist - Mktg.

### The Chesapeake and Potomac Telephone Company of Virginia

B. Smither - Compt.
R. L. Irby - Compt.
M. E. Eike - Rate-Coml.
H. L. Marchant - Mktg.

### The Chesapeake and Potomac Telephone Company of West Virginia

J. A. York - Acctg.
J. D. Turner - Acctg.
G. W. Thompson - Coml.
J. J. Pope - Mktg.

### Southern Bell Telephone and Telegraph Company

T. A. Romano - Acctg.
R. D. Johnston - Acctg.
D. M. Byrd, Jr. - Legal
J. A. Jacobs - Treas.
M. M. Alexander - Coml.
W. K. Allen - Mktg.
W. C. Williams - Mktg.
J. E. Warren - Coml.

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### The Ohio Bell Telephone Company

H. A. Sullivan - Acctg.
C. F. Hurd - Acctg.
R. H. Woodward - Acctg.
A. Rice (Mrs.) - Coml.
J. Heisserer (Miss) - Coml.
R. McClain - Rates-Rev.
W. E. McGriffin - Mktg.
A. E. Acklin - Legal

### Michigan Bell Telephone Company

K. L. Abbott - Compt.
D. E. Brown - Legal
E. J. Arkles - Mktg.
L. D. Stader - Coml.
J. F. Chandler - Planning

### Wisconsin Telephone Company

K. Corlett - Mktg.

### Illinois Bell Telephone Company

M. G. Garneau - Mktg.

### Northwestern Bell Telephone Company

W. H. Olson - Acctg.
D. Brnki - Coml.
G. J. Regnier - Mktg.

### Southwestern Bell Telephone Company

W. Harris - Acctg.
J. M. Shatto - Legal
S. Douglas - Rates
A. J. Fleming - Coml.
W. Custer - Mktg.

### The Mountain States Telephone and Telegraph Company

J. F. Maher - Coml.
S. W. Jensen - Acctg.
E. L. Robinson - Mktg.

### Pacific Northwest Bell Telephone Company

D. W. Cumming - Acctg.
B. Feigenbaum - Legal
O. H. Winther - Coml.
J. E. Camden - Admin. Mkt. Anal.

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Long Lines Department

F. J. Rickert, Jr. - Mktg.
A. F. Troyke - Acctg.
J. B. Yard (Miss) - Acctg.
C. R. Sposato (Miss) - Acctg.

Western Electric Company, Incorporated

H. C. Guild - Compt.

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# Excise Tax Meetings

## October 6 & 7, 13 & 14

## Agenda

### First Day

| | | |
|---|---|---|
| 9:00 | Welcome - Remarks | R. N. Flint |
| 9:10 | Conference Arrangements | C. E. Erickson |
| 9:20 | Outlines of Departmental Concerns: | |
| | Commercial | J. F. Gallagh |
| | Legal | E. R. Charvat |
| | Marketing | R. M. Schultz |
| | Rates | R. D. Weber |
| | Accounting | R. A. Rathka |
| 9:40 | Background and Philosophy of Excise Tax Reduction Act of 1965 | E. R. Charvat |
| 10:15 | Break | |
| 10:30 | Application of Tax to Service Offerings | |
| | Introduction | C. E. Erickson |
| | Local Telephone Service<br>Toll Telephone Service<br>TWX Service<br>Private Communication Service<br>Exemptions | Panel |
| 11:30 | Question Period | |
| 12:00 | Lunch | |
| 1:30 | USOC Approach and Accounting Operations Implementation | R. A. Rathka<br>B. R. Parrish |
| 2:00 | Special Problems | |
| | Package Pricing; Marketing and Rate Viewpoints (Including Centrex) | R. M. Schultz<br>M. C. Conley<br>R. D. Weber |
| | Delayed Billing; Customer Pressures and Our Position | R. H. Popp |
| | Redesign of Forms; Customer Information Programs | J. F. Gallagh |
| | Definitional Problems; Exchange Line Mileage, Key Systems, etc. | Panel |
| 3:15 | Break | |
| 3:30 | State and Local Tax Considerations | R. N. Flint |
| 5:00 | Social Hour | |
| 6:30 | Dinner | |

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Second Day

9:00 Departmental Meetings (Agendas to be individually prepared).

12:15 Lunch

1:30 Reports by Designated Departmental Representatives on Problems and Suggested Courses of Action.

3:00 Break

3:15 Question Period: Unresolved Problems.

3:45 Wrap-up and Discussion of Departmental Responsibilities

R. A. Rathka
E. R. Charvat
J. F. Gallagher
R. M. Schultz
R. D. Weber

4:30-5:00 Adjournment

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# CONFERENCE ON COMMUNICATION TAXES

OCTOBER 6-7 AND OCTOBER 13-14

NEW YORK, N. Y.

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# EXCERPTS FROM THE EXCISE TAX REDUCTION ACT OF 1965

**SEC. 302. COMMUNICATIONS TAX.**

Subchapter B of chapter 33 (relating to communications taxes) is amended to read as follows:

### "Subchapter B—Communications

"Sec. 4251. Imposition of tax.
"Sec. 4252. Definitions.
"Sec. 4253. Exemptions.
"Sec. 4254. Computation of tax.

**"SEC. 4251. IMPOSITION OF TAX.**

"(a) IN GENERAL.—

"(1) Except as provided in subsection (b), there is hereby imposed on amounts paid for the following communication services a tax equal to the percent of the amount so paid specified in paragraph (2):

"Local telephone service.
"Toll telephone service.
"Teletypewriter exchange service.

"The taxes imposed by this section shall be paid by the person paying for the services.

"(2) The rate of tax referred to in paragraph (1) is as follows:

| "Amounts paid pursuant to bills first rendered— | Percent— |
|---|---|
| "During 1966 | 3 |
| "During 1967 | 2 |
| "During 1968 | 1 |

"(b) TERMINATION OF TAX.—The tax imposed by subsection (a) shall not apply to amounts paid pursuant to bills first rendered on or after January 1, 1969.

"(c) SPECIAL RULE.—For purposes of subsections (a) and (b), in the case of communication services rendered before November 1 of any calendar year for which a bill has not been rendered before the close of such year, a bill shall be treated as having been first rendered during such year.

**"SEC. 4252. DEFINITIONS.**

"(a) LOCAL TELEPHONE SERVICE.—For purposes of this subchapter, the term 'local telephone service' means—

"(1) the access to a local telephone system, and the privilege of telephonic quality communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system, and

"(2) any facility or service provided in connection with a service described in paragraph (1).

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# EXCISE TAX REDUCTION ACT OF 1965

The term 'local telephone service' does not include any service which is a 'toll telephone service' or a 'private communication service' as defined in subsections (b) and (d).

"(b) TOLL TELEPHONE SERVICE.—For purposes of this subchapter, the term 'toll telephone service' means—

"(1) a telephonic quality communication for which (A) there is a toll charge which varies in amount with the distance and elapsed transmission time of each individual communication and (B) the charge is paid within the United States, and

"(2) a service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to the privilege of an unlimited number of telephonic communications to or from all or a substantial portion of the persons having telephone or radio telephone stations in a specified area which is outside the local telephone system area in which the station provided with this service is located.

"(c) TELETYPEWRITER EXCHANGE SERVICE.—For purposes of this subchapter, the term 'teletypewriter exchange service' means the access from a teletypewriter or other data station to the teletypewriter exchange system of which such station is a part, and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations constituting a part of the same teletypewriter exchange system, to which the subscriber is entitled upon payment of a charge or charges (whether such charge or charges are determined as a flat periodic amount, on the basis of distance and elapsed transmission time, or in some other manner). The term 'teletypewriter exchange service' does not include any service which is 'local telephone service' as defined in subsection (a).

"(d) PRIVATE COMMUNICATION SERVICE.—For purposes of this subchapter, the term 'private communication service' means—

"(1) the communication service furnished to a subscriber which entitles the subscriber—

"(A) to exclusive or priority use of any communication channel or groups of channels, or

"(B) to the use of an intercommunication system for the subscriber's stations,

regardless of whether such channel, groups of channels, or intercommunication system may be connected through switching with a service described in subsection (a), (b), or (c),

"(2) switching capacity, extension lines and stations, or other associated services which are provided in connection with, and are necessary or unique to the use of, channels or systems described in paragraph (1), and

"(3) the channel mileage which connects a telephone station located outside a local telephone system area with a central office in such local telephone system,

except that such term does not include any communication service unless a separate charge is made for such service.

"SEC. 4253. EXEMPTIONS.

"(a) CERTAIN COIN-OPERATED SERVICE.—Service paid for by inserting coins in coin-operated telephones available to the public shall not be subject to the tax imposed by section 4251 with respect to local telephone service, or with respect to toll telephone service if the charge for such toll telephone service is less than 25 cents; except that where such coin-operated telephone service is furnished for a guaranteed

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# EXCISE TAX REDUCTION ACT OF 1965

amount, the amounts paid under such guarantee plus any fixed monthly or other periodic charge shall be subject to the tax.

"(b) NEWS SERVICES.—No tax shall be imposed under section 4251, except with respect to local telephone service, on any payment received from any person for services used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio broadcasting, or in the dissemination of news through the public press, or a news ticker service furnishing a general news service similar to that of the public press, or by means of radio broadcasting, if the charge for such service is billed in writing to such person.

"(c) INTERNATIONAL, ETC., ORGANIZATIONS.—No tax shall be imposed under section 4251 on any payment received for services furnished to an international organization, or to the American National Red Cross.

"(d) SERVICEMEN IN COMBAT ZONE.—No tax shall be imposed under section 4251 on any payment received for any toll telephone service which originates within a combat zone, as defined in section 112, from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary or his delegate may by regulations prescribe, is furnished to the person receiving such payment.

"(e) ITEMS OTHERWISE TAXED.—Only one payment of tax under section 4251 shall be required with respect to the tax on any service, notwithstanding the lines or stations of one or more persons are used in furnishing such service.

"(f) COMMON CARRIERS AND COMMUNICATIONS COMPANIES.—No tax shall be imposed under section 4251 on the amount paid for any toll telephone service described in section 4252(b)(2) to the extent that the amount so paid is for use by a common carrier, telephone or telegraph company, or radio broadcasting station or network in the conduct of its business as such.

"(g) INSTALLATION CHARGES.—No tax shall be imposed under section 4251 on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation.

### "SEC. 4254. COMPUTATION OF TAX.

"(a) GENERAL RULE.—If a bill is rendered the taxpayer for local telephone service or toll telephone service—

"(1) the amount on which the tax with respect to such services shall be based shall be the sum of all charges for such services included in the bill; except that

"(2) if the person who renders the bill groups individual items for purposes of rendering the bill and computing the tax, then (A) the amount on which the tax with respect to each such group shall be based shall be the sum of all items within that group, and (B) the tax on the remaining items not included in any such group shall be based on the charge for each item separately.

"(b) WHERE PAYMENT IS MADE FOR TOLL TELEPHONE SERVICE IN COIN-OPERATED TELEPHONES.—If the tax imposed by section 4251 with respect to toll telephone service is paid by inserting coins in coin-

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# EXCISE TAX REDUCTION ACT OF 1965

operated telephones, tax shall be computed to the nearest multiple of 5 cents, except that, where the tax is midway between multiples of 5 cents, the next higher multiple shall apply."

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# EXCISE TAX REDUCTION ACT OF 1965

## SEC. 701. EFFECTIVE DATES.

### (b) FACILITIES AND SERVICE TAXES -

(2) COMMUNICATIONS.—

(A) The amendments made by section 302 (relating to communication services) shall apply to amounts paid pursuant to bills rendered on or after January 1, 1966, for services rendered on or after such date. In the case of amounts paid pursuant to bills rendered on or after January 1, 1966, for services which were rendered before such date and for which no previous bill was rendered, such amendments shall apply except with respect to such services as were rendered more than 2 months before such date. In the case of services rendered more than 2 months before such date, the provisions of subchapter B of chapter 33 of the Code in effect at [illegible] such services were rendered shall apply to the [illegible] paid for such services.

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# EXCERPTS FROM
# REPORT OF THE SENATE FINANCE COMMITTEE ON THE EXCISE TAX REDUCTION ACT OF 1965

### *3. Communications (sec. 302 of the bill and sec. 4251 of the code)*

Under existing law, amounts paid for general telephone, toll telephone, telegraph, teletypewriter exchange, and wire mileage service are taxed at the rate of 10 percent of the amounts paid for the service. A tax at the rate of 8 percent is imposed on amounts paid for wire and equipment service. The tax is paid by the person paying for the service.

(a) *Rates of tax for local telephone service, toll telephone service, and teletypewriter exchange service.*—Your committee agreed with the conclusion of the House that the tax on local and toll telephone service and teletypewriter exchange service is undesirable as a permanent feature of our excise tax system. This conclusion was reached on the grounds, first, that these taxes are regressive and therefore fall with greater severity on those with low incomes than those with higher incomes. Second, the charges for telephone services enter heavily into business costs. Therefore, the tax discriminates against those

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Senate Finance Committee

firms that must make extensive use of the taxed services. However, while elimination of the tax is desirable on the grounds listed above, since the tax is an important source of revenue for the Federal Government, the reduction should be staged over a period of years. Both versions of the bill, therefore, provide for the repeal of the communications service tax on local telephone service, toll telephone service, and teletypewriter exchange service over a period of 4 years. The first reduction, a substantial one, is a reduction of 7 percentage points effective January 1, 1966. In January of each of the three succeeding years, the rate is reduced by 1 percentage point. No tax, therefore, will apply for the calendar year 1969 and subsequent years. As a result, under both versions of the bill, the rate of tax on the three services will be reduced from the present level of 10 percent to—

3 percent for amounts paid pursuant to bills first rendered on or after January 1, 1966, and before January 1, 1967;

2 percent for amounts paid pursuant to bills first rendered on or after January 1, 1967, and before January 1, 1968; and

1 percent for amounts paid pursuant to bills first rendered on or after January 1, 1968, and before January 1, 1969.

The tax is not to apply to amounts paid pursuant to bills first rendered on or after January 1, 1969.

In applying the new tax rates referred to above, in the case of communication services rendered before November 1 of any calendar year for which a bill has not been rendered before the close of such year, a bill is to be treated as having been first rendered during such year. The existing 10 percent tax rate will continue to apply in the case of bills first rendered before January 1, 1966 (whether the services are rendered before, on, or after such date), and in the case of communication services rendered before November 1, 1965, even though the bill is first rendered on or after January 1, 1966.

The definitions of local telephone service (previously general telephone service), toll telephone service, and teletypewriter exchange service have been updated and modified to make it clear that it is the service as such which is being taxed and not merely the equipment being supplied. Thus, in the case of local telephone service, the definition makes it clear that it is the right of access to a local telephone system and the privilege of telephonic quality communication which is taxed together with facilities or services provided with this service. Toll telephone service is defined as being a telephonic quality communication for which a toll charge is made which varies in amount with the distance and the elapsed transmission time of individual communications, but only if the charge is paid within the United States. Also included in this definition of toll telephone service is WATS (wide area telephone service). This is a long-distance service whereby, for a flat charge, the subscriber is entitled to make unlimited calls within a defined area (sometimes limited as to the maximum number of hours). A teletypewriter exchange service is defined as access from a teletypewriter or other data station to the teletypewriter exchange system of which such station is a part and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations in the same exchange system.

It is estimated that the reduction of the tax rate from 10 to 3 percent effective January 1, 1966, will result in a revenue loss of $639 million in a full year of operation. The elimination of the remaining

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Senate Finance Committee

3 percentage points of tax over the next 3 years, it is estimated, will result in an additional revenue loss of $274 million when fully effective.

(*b*) *Private communications services.*—Under present law, a private communications system such as a private line or a private intercommunication system set up for a single subscriber (such as a PBX system or Centrex service) is taxed as a part of general telephone service if the telephones in this system have access to the local exchange system.

This has presented problems under present law because of competition from untaxed private equipment performing similar services. The telephone companies presently are losing intrapremise business (and interpremise business within local areas) to those providing telephone and microwave equipment which can be purchased and operated by the users themselves. Installation of equipment in this manner is accompanied by a reduction in the service from the local telephone company. Businesses installing their own internal communications systems in this manner avoid the tax on the telephone company's charge for both equipment and services. With the ever-increasing number of varied services which modern science makes it possible for telephone companies to provide, the tax on private communication systems represents a severe competitive handicap to the expanded use of these new and varied services.

For the reasons indicated above, both the House bill and your committee's bill provide an exemption from the tax on local telephone service for private communications service if a separate charge is made for this service. It is understood that private lines and PBX systems generally will immediately qualify for this exemption. However, it is understood that Centrex systems—where the switching equipment is generally on the premises of the local exchange rather than on that of the subscriber—generally do not, as yet, provide for a charge which is separate and distinct from that for local telephone service. Until such a separation is made, this exemption, therefore, will not apply in the case of Centrex service.

The definition of a private communication service refers to a communication service where a subscriber is entitled to the exclusive or priority use of a communication channel or groups of channels. This is sometimes referred to as a private line. The reference to an intercommunications system is intended to refer to a private exchange system for a single subscriber and thus to cover private PBX systems (whether or not they have in-dialing). Included in the definition of a private communication system is channel mileage for communication between a telephone station located outside a local exchange system and a central office in such local telephone system, if a separate charge is made for this service.

This exemption is to take effect as of January 1, 1966.

Questions have been raised as to the application of this exemption to so-called answering services where, when the subscriber is not at home, the telephone is answered for him by the answering service. In such cases, it is understood that the line running to the answering service together with the board on which the signal is flashed is usable only for answering the subscriber's telephone. Where this is true, this line and the board provided in connection with it will be exempt from tax as a private communication service.

It is estimated that repeal of the tax on private communication services will reduce revenues by $130 million in a full year of operation.

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Senate Finance Committee

(c) *Telegraph service and wire and equipment service.*—Telegraph service presently is subject to a tax of 10 percent of the amount paid while a tax of 8 percent is imposed on wire and equipment service. Wire and equipment service includes stock quotation and information services, burglar alarm and fire alarm service, and similar services.

In the case of telegraph service, the present tax presents an added handicap to an industry which has been experiencing a decline in business for a long period of time. The tax on wire and equipment service not only taxes the communication feature of the service, but other services provided as well. Moreover, in many cases, the services provided are in competition with similar services provided on a tax-free basis.

Because of the factors indicated above, both the House bill and your committee's bill repeal the tax on telegraph service and wire and equipment service effective January 1, 1966.

The repeal of the tax on telegraph service is expected to result in a revenue loss of $17 million a year when fully effective, and the repeal of the wire and equipment service tax is expected to result in an annual revenue loss of $15 million a year.

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EXHIBIT 110
Typewritten transcription of G.J. Hartman's
notes of October 6 and 7, 1965 meetings

personal notes of G. J. Hartman - originals were handwritten

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## BELL SYSTEM CONFERENCE ON EXCISE TAX LAW
## MINUTES OF N.Y. MEETING - OCTOBER 6, 7, 1965

### INTRODUCTION

Flint -
We must be knowledgeable to prevent States from picking up those taxes affecting competitive services.

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### AREAS OF INTEREST

Gallagher
Commercial - Negotiations with customers
- Advise Acctg. of tax rates which apply.

Charvat
Legal - Intrepretation of law
applicability of tax to new services

Schultz
Marketing - Interest in competitive aspects
Need to establish liason with Legal

USA Exh - 476
ID. 4-21-71
PLAINTIFF'S
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
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Shepherd
Rates - Tariff wording can affect tax
Rathka
Acctg. - Coordinating responsibilities
Administration of effecting changes

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### BACKGROUND

Charvat
Our objectives in the tax matter were directed toward
1. Classification
2. Eliminate tax on competitive services
3. Eliminate the tax

Basically - tax will apply only to exchange service
Law - 1. Local Tel. Svc. - Taxable
2. Toll Tel. Svc. - Taxable
3. TWX Tel. Svc. - Taxable
4. Private Comm. Svc. - Not Taxable.

1. Local Telephone Service

(a) Access to local telephone system for communications with other similar telephones.
Includes - PBX trunk
- unrestricted CTX station

(b) Facility or service provided in connection with (a) above.
Exception - Toll Telephone Svc. or private Tel. Svc.
Example - speakerphone on C.O. line is taxable
Speakerphone behind PBX is not taxable

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2. Toll Telephone Service - Includes WATS

3. TWX
   Same as 1.(a)
   No provision similar to 1(b)
     Therefore all items not providing access to TWX network are not taxable.
   TWX is S & R only by definition

4. Private Communications Service

Seperate charge for private service
If charge includes access to locat telephone service, tax applies (unrestricted LTX station)

(a) i.e. Telpak, sec'l p.l.
   Exclusive or private use lines.

(b) Includes use of facilities or service intercommunication PBX restricted CTX stations

These items are private even though they may be connected with Local, Toll or TWX.

Switching capacity, extension lines & stations and associated services necessary [illegible] to p.l. systems.
   Example - Speakerphone on p.l. - not taxable
   - Speakerphone on p.l. terminating in key telephone system which picks up local tel. lines - not taxable (Necessary to p.l. service)

(Many words - no information)

Application of Tax
   Erikson - Terms - "Non-taxable" applies to service
   "Exempt taxable applies to customers

Non-taxable services -
- Private Comm. Svc.
- Installation Charges
- Wire Mileage hr.
- Wire & Equipment hr.
- Telegraph hr.

Exemptions - (customers)
- Wholly exempt.
  Principally Gov-t
  Insolvent banks
  Servicemen in combat zones
- Partially exempt
  News services - dissemination of news
  Common carriers, radio & T.V. stations
  - WATS only

Discussed exemptions forms - requirements and procedures

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PANEL - QUESTION PERIOD

15,000 items with different uses which affect tax status

Coin box service
3% Tax applies on tax calls $.85 and over

PBX service and all equipment behind it not taxable - generally

Sev'l lines - taxable or not taxable?

General class of service will generally determine tax status, i.e., sev'l are non-taxable, off-prem. extensions are taxable. Exception - of customer insists on one-way (no dial) off-premises extension, no tax will apply.

U.S.O.C.

Rath[illegible] & Parrish

Use USOC list in Section 5 of Manual (Strictly Accounting and Commercial mechanics)

PACKAGING

Conley

Communications Service Packaging - CSP - PBX & Centrex
PBX Series 100, 200, 300
Centrex I and Centrex II

(Not relevant to tax meeting)

Shepherd
Restricted CTX station not taxable

Split trunk revenue requirements out of CTX rate for unrestricted station -

1. Considered but rejected -
   a. could be done for CTX C.U. but not realted to CTX C.O.

Vertical services on CTX unrestricted stations taxable enen though similar services on PBX are not taxable.

DELAYED BILLING

Popp

No - Tab 4 - letter of 9/27/65

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## EXCHANGE LINE MILEAGE

**Erikson**
- Not the same as FX mileage which is not taxable
- Exchange line mileage is taxable

## PRIVATE COMMUNICATIONS SYSTEMS

**Rathka**

ABX systems and CTX no real problem
Key systems including private line
services must be reviewed item
by item.
Intercom lines & pickups not taxable
Home Interphone and dial pak common
equipment not taxable

## STATE & LOCAL TAX CONSIDERATIONS

**Flint**
Scheduled for President's Conference & other meetings
Public Relations material sent to Co.'s Freight against
State imposed tax. If trapped, try to guide drafting by law.

**Atty. Malloy, N. Y. Tel.**

1. Fought against N.Y. picking up the tax
2. Consequently worked with drafting of tax
bill of 1. failed.
   - (a) No tax on coin box service
   - (b) No tax on installation charges
   - (c) No tax on private line service
   - (d) Semi-annual remittance to State
   - (e) Relations of certain % by Tel.
for cost of collecting

**Everett Cahill Pac. Tel. & Tel.**
California needed $90 Million
Bill drafted to pick up Federal Tax reductions, but
Different exemptions and different rates,
Tax would apply on Tel. Co.
Which may not be constitutional
Stress effect on rise - not Tel. Co.
Create confusion
Argued discrimination - only Tel. Co. to be
taxed. This brings support from other utilities.
Stress to public the reduction in Federal Tax. If tax
is reduced, public will be opposed to reimposition of
tax by State.
Stress amount of tax on constituents of each legislature
in letter and other contracts with him.

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E1117 Thursday A.M.
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## DELAYED BILLING

No.

Centrex

Break out trunk charges - No.

1. Cannot break out CTX co.
2. Difficult for CTX co customers to understand basis for "trunk" charges
3. Tax factors introduces one more consideration resulting in customer pressure for either CTX co or CTX cu
4. Not sufficient time for filing tariff for 1/1/66 effective date
5. Break-out of CTX cu only weakens "one Centrex offering" concept
6. Tax applies on 14% of customers total billing on PBX
7. Preferential treatment for large customers. Why not break 1B and 1R service between line charge and station charges
8. Customers 3% tax flows through to bottom line where he pays only 1 1/2% of the other taxes
9. We should not structure notes on temporary tax considerations
10. About 1,000 CTX systems in service

Difference in tariff filings for CTX

In those instances where the differential between CTX co and CTX cu is stated separately, it is recommended by A.T.& T. that this differential be considered taxable in order to maintain uniform treatment with thos Company's who have included the differential in a single CTX co charge

Dormitory Service

Where Universities bill and collect the rate is $.50 less than where the Tel. Co. bills and collects. The $.50 can not be broken out as tax exempt, even though it may be compared with QZ billing which is not taxable.

Off-premises mileage across municipal boundaries?

Not taxable today - not taxable after 1/1/66 even though this specific exemption is eliminated.

E1118
Exhibit 110

Basic philosophy is that there will be no tax increase.

Home Interphone

Extensions are not taxable, only 1FR?

Key Systems?

Tax central office line, pickup, LH, LL BL CU,

Package rates - only C.O. line taxable

Speakerphones & dialers on key systems not taxable if used with P.L. service

If extension line is provided, nothing is taxable except c.o. lines.

All signaling services are exempt

Touch-Tone

Taxable except behind PBX

Mileage

No tax on any mileage except exchange line.

TWX

- Receive only not taxable?

Dataphone

- Taxable
- Teletypewriter used with dataphone - t

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E1119
Exhibit 110 Thursday P.M.

X

WRAP-UP

Charvat

Problem areas have been defined. All departmental representatives should have all questions. Answers will be developed by next Wednesday by "195" representatives.

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E1120
EXHIBIT 114A
October 28, 1965 letter from R.N. Flint
to Comptrollers

PLAINTIFF
EXHIBIT
U.S. DIST. COURT
S.D. OF N.Y.
114A

R. Wells

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY. NEW YORK. N.Y. 10007

AREA CODE 212 393-3532

ROBERT N. FLINT
ASSISTANT COMPTROLLER

October 28, 1965

PROTECTED

Mr. C. N. Hansen
Vice President & Comptroller
Southern New England Telephone Co.
New Haven, Connecticut

Dear Mr. Hansen:

The Excise Tax Reduction Act of 1965 has necessitated an extensive revision of the manual "Federal Excise Tax on Communication Services." Accordingly, Parts 1 through 5 and Appendices A and B of the manual are attached. An additional supply sufficient to meet the requirements of your company is being shipped under separate cover.

Exhibit I to Part 2, Federal Excise Tax Classification of Communication Services, is superseded by Exhibit A to Part 2, Tax Status of Uniform Service Order Codes (USOC). We plan to release three sets of Exhibit A for use by your company by mid-November. Exhibit A will be provided to you in the same format as Sections 5 and 7 of the American Telephone and Telegraph Company USOC Book. We do not recommend distribution of Exhibit A in the form furnished by this office to all holders of the "Federal Excise Tax" manual, inasmuch as no one company uses more than about one-half of the some 10,800 codes and in all cases local modifications will be required. It is suggested, however, that you distribute your company's version of Exhibit A to holders of the manual.

The portions of the manual remaining to be issued are Part 6 and the Index. Part 6, which pertains to Reports and Remittances, is being held up pending notification from the Internal Revenue Service of the taxable categories of communication services required for reporting purposes on Form 720, Quarterly Federal Excise Tax Return. The Index will be issued along with Part 6. Part 7, which relates to Retention of Records, is unchanged and is not being reissued at this time.

Mr. R. H. Popp (Area Code 212 393-4327) is familiar with this subject and will be glad to discuss with your people any questions they may have.

Very truly yours,

RN Flint

Assistant Comptroller

Attachments

To all Comptrollers
(Except non-operating
subsidiaries and Bell
of Canada)

E1121
EXHIBIT 117A
August 19, 1968 "Tax Talk"

[illegible]
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
117A id

TAX NEWS COMMENT

TAX TALK

Vol. XI, No. 28

*Issued by the General Tax Section,*
*Comptroller's Dept., A.T.& T. Co.*
For internal distribution only

August 19, 1968

## CURRENT EVENTS

### Election Results and Excise Taxes

With general election time rapidly approaching it seems appropriate to recap the Federal excise tax treatment which should be accorded the national news coverage of the event.

It is our understanding that the major news collection agencies and the national radio and television networks are again going to pool their vote tabulating efforts, as was done in the 1964 Presidential election (TT, 5/11/64). This means that telephone company voice, TWX, and data transmission facilities will be heavily utilized for the collection, summarization, and dissemination of polling results - with much of the traffic being handled on a collect and credit card billing basis.

In preparation of bills for these services, the Federal excise tax application should be as follows:

1. Toll telephone message charges and teletypewriter exchange service (including teletypewriter message charges) are tax-free under the collection or dissemination of news exemption.
2. The local service charge (including local message charges) is taxable because the news exemption does not apply to this type of service. However, the tax status of a particular item of service or equipment should be determined by reference to Exhibit A to Part 2 of the "Excise Tax Manual" covering the tax status of USOC designations.
3. Private communication services including private line teletypewriter service and charges for private lines are nontaxable.

Comment: Our Comptrollers Operations staff is currently reviewing this subject and will be in touch with the operating companies shortly. A copy of the message from the Operations Division may be retained in the exemption certificate file as authority for exemption where applicable.

## REGULATIONS AND RULINGS

### Stock Plan Clarification Issued

While it has been clear that a transfer of shares issued under the Employees' Stock Plan to the employee and another as joint tenants or tenants by the entirety does not constitute a "disposition" for Federal income tax purposes, some question has existed as to the status of stock registered in the names of the employee and his spouse as community property in community property states.

E1122
Exhibit 117A

TAX TALK - August 19, 1968

The IRS holds in Rev. Rul. 68-408 (IRB 1968-31) that the latter form of registration does not constitute a disposition because it merely describes the legal ownership under local law. (See ESP-4, Par. 15.0313.)

## OTHER DEVELOPMENTS

### Exemption from Excise Tax of Officers of Foreign Governments

A number of questions have been raised recently regarding the excise tax status of telephone service furnished officers of foreign governments. The questions have, in general, concerned various and sundry representatives of newly emerged nations requesting exemption from the tax on communication services.

A review of the "Excise Tax Manual" is recommended to assure familiarity with the three basic exemption classifications allowed under IRS regulations Section 42.4293-1. The rules and exemption certificate requirements described in Paragraphs 4.14, 4.24, 4.2401, and 4.2402 of the "Manual" are still in effect.

The listing of foreign governments having treaties with the United States exempting consular officers from tax is at our request currently being updated by State Department people responsible for protocol and will be issued as a TAX TALK attachment as soon as it becomes available.

### Wanted: Excise Tax Update Material

Recognizing the fact that the Federal excise tax on communication services will continue to be with us for some time in the future, we have undertaken a complete updating of the manual, Federal Excise Tax on Communication Services.

While a tentative first draft is currently in the review stage, we would be most anxious to receive any suggestions from operating company tax people of clarifications or new material that in their opinion should be reflected in a revised manual. All contributions will be carefully considered and should be addressed to:

H. A. Tindall, Room 2436
American Telephone and Telegraph Company
195 Broadway
New York, New York 10007

### State and Local Tax Miscellany

Governor Kerner of Illinois signed three bills increasing the state's service occupation and service use tax rates from 3-1/2% to 4-1/4% effective 9/1/68, and increasing the maximum permissable rate counties are authorized to levy under the county service occupation tax from 1/2% to 3/4% . . . States are reacting differently to the U. S. Supreme Court decision that national banks were immune from state sales taxes. States such as Kansas, Maine, and Maryland have gone along with the decision and ruled that sales to national banks are no longer taxable while California, Michigan and South Carolina insist that the sales tax is levied on the vendor and not the purchaser . . . State and local tax collections for the first quarter of 1968 amounted to $16.7 billion, an increase of nearly 13% over the same quarter of 1967.

E1123
EXHIBIT 117B
Revised Federal Excise Tax Manual

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

195 BROADWAY, NEW YORK, N.Y. 10007

AREA CODE 212 393-3532

DONALD I. LAMONT
ASSISTANT COMPTROLLER

January 28, 1969

PLAINTIFF'S
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.
117B

Attached is a complete revision of the manual "Federal Excise Tax on Communication Services." An additional supply of the manual sufficient to satisfy the requirements of your company or organization is being shipped under separate cover.

The revised manual reflects new service offerings and amplifies explanatory text. In addition, recognition has been given to U.S. Treasury requirements relating to return and payment procedures.

It should be noted that, with this issue, reference to Exhibit A of Part 2 has been eliminated. The complete listing of uniform service order codes (USOC) together with a decode section featuring a "tax status" column is now found in the USOC Manual published this year by the American Company USOC Coordinating Committee.

Mr. H. A. Tindall (212 393-2498) is familiar with this subject and any questions regarding the revised manual should be directed to him.

Very truly yours,

Donald I. Lamont

To all Comptrollers
(Except Bell Canada)

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E1124
**Exhibit 117B**

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5 Billing and Accounting
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B Forms of Exemption Certificates

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**E1125**
**Exhibit 117B**

## PART 1

## GENERAL

### History of Federal Taxes on Communication Services

1.00 With the exception of the periods in 1916-1917 and 1924-1932, some form of Federal excise tax has been imposed on charges for communication services since 1914. Prior to the enactment of the Revenue Act of 1941, the tax was principally on telephone toll, telegraph and radio message charges, and leased wire services. At that time, local telephone service was added to the list of taxable services. War tax rates imposed by the Revenue Act of 1943 increased the rates to 25% on toll messages and leased wire charges and 15% on local service and marked the high point in communications excise tax rates. Although these war tax rates were scheduled to terminate with the cessation of hostilities, they were continued in effect until the Excise Tax Reduction Act of 1954 which reduced the rates on local, toll and leased wire services to 10%. The 8% rate on wire and equipment services was continued unchanged. These rates were retained when the communications excise taxes were carried over as part of the Internal Revenue Code of 1954. The Excise Technical Changes Act of 1958 revised the terminology and the definitions of the taxable types of service to conform more closely to the classes of service then offered by the industry and to provide for more uniform application of the tax. The Tax Rate Extension Act of 1962 removed the tax from most private line services when used in the conduct of a trade or business. The Excise Tax Reduction Act of 1965 established completely new definitions of the taxable communication services and removed private communication service from the tax base. Furthermore, the Act provided for the gradual elimination of the Federal excise tax on all communication services with termination of the tax scheduled for 1969. The Tax Adjustment Act of 1966 repealed the rate reductions which were effective beginning in 1966 under provisions of The Excise Tax Adjustment Act of 1965 and provided for a reduction of the 10% rate to 1% effective April 1, 1968 and termination of the tax beginning January 1, 1969. The Tax Adjustment Act of 1968 continued the 10% rate beyond the April 1, 1968 deadline and established a schedule for gradual elimination of the tax over a five year period with final termination set for January 1, 1973. The schedule for elimination of the tax is set forth in Par. 1.01.

### Federal Taxes on Communication Services - General

1.01 Section 4251 of the Internal Revenue Code of 1954, as amended, imposes a tax on amounts paid for certain communication services. The Internal Revenue Code, the rules and regulations thereunder, and other Federal statutes provide that certain other services are not subject to tax and that certain customers are exempt from tax on all or part of the ordinarily taxable services furnished them. The scale of tax rates to be applied to charges for the various classifications of taxable service are as specified in the following schedule:

| | Rate of Tax (Per Cent) for Charges First Billed Beginning | | | | |
|---|---|---|---|---|---|
| Taxable Service | 4-1-68 | 1-1-70 | 1-1-71 | 1-1-72 | 1-1-73 |
| Local Telephone Service . . . . | 10 | 5 | 3 | 1 | Tax |
| Toll Telephone Service . . . . | 10 | 5 | 3 | 1 | Terminates |
| Teletypewriter Exchange Service | 10 | 5 | 3 | 1 | |

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* Revised - January 1, 1969
Effective Date - January 1, 19

E1126
Exhibit 117B

The communications excise tax rate changes specified in the law are imposed as to amounts paid for the designated communication services "pursuant to bills first rendered" on and after the effective date as shown in the table set forth above. However, services furnished more than two months before the effective date are to be taxed at the rate in effect prior to the effective date. The date "rendered" is the date normally mailed. For this purpose, in order to insure consistent application, the normal lag between the date of the bill and mailing should be considered by Bell System companies to be the six workday interval determined in accordance with the rules for billing service results measurement. If the sixth workday after the close of the billing period is on or after the effective date of the change, all bills for that billing period should be taxed in accordance with the provisions of the change and will be mailed on or after the effective date. If the sixth workday after the close of the billing period precedes the effective date, all bills for that billing period should be taxes in accordance with the law in effect at time of preparation even though, in exceptional cases, some of those bills may be mailed subsequent to the normal mailing date.

## Organization and Use of the Excise Tax Manual

1.02 This manual has been compiled for Bell System use as a reference source in the application of Federal excise tax on communication services to charges made by telephone companies to their customers. The manual is organized to provide, when read in the normal sequence, a comprehensive text on the communications excise tax. Part 2 relates to the classification of telephone company charges among the various tax categories (also see Par. 1.03). Part 3 contains a discussion of general rules applicable to the overall administration of communications excise tax matters. The exemptions that are accorded certain customers are covered in Part 4. Part 5 relates to the billing and accounting phases; Part 6 outlines procedures to be followed in remitting the tax collected and Part 7 discusses the regulations in respect to the retention of records. A topical index is provided for use in solving day-to-day problems.

## Classification of Telephone Company Charges

1.03 In determining whether a telephone company charge is subject to tax, the following sequence has been found to be helpful in producing correct results:

### Is the Charge for a Communication Service?

1.0301 If the charge is for other than a communication service, no tax will apply and no further analysis is necessary. Examples of such charges are listed in Par. 2.10.

### Is the Charge for a Taxable Communication Service?

1.0302 If the charge is for a communication service, it must then be determined if the service is subject to tax. Par. 2.21, Par. 2.22 and Par. 2.23 define the taxable categories, and Par. 2.24 discusses in general terms the non-taxable categories. The tax status determination, however, should be made by reference to the USOC Manual, which lists, by Uniform Service Order Codes (USOC) and description, all telephone company services. Part 3 discusses other circumstances, e.g., intercompany billing, where the tax should not be applied and sets forth special rules for computing tax in certain situations.

### If the Charge is for a Taxable Service, is the Customer Exempt?

1.0303 The law accords certain classes of customers exemption from tax on all or part of their communication services. These exemptions are discussed in Part 4.

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E1127
Exhibit 117B

# FEDERAL EXCISE TAXES ON COMMUNICATION SERVICES

| Title of Tax Law and Effective Date / Taxable Services | Emergency Revenue Law - 1914 12/1/14 | Federal Revenue Act - 1916 9/8/16 | War Tax Law - 1917 11/1/17 | Revenue Act of 1918 4/1/19 | Revenue Act of 1921 1/1/22 | Revenue Act of 1924 7/3/24 | Revenue Act of 1932 6/21/32 | Revenue Act of 1941 10/1/41 |
|---|---|---|---|---|---|---|---|---|
| TELEPHONE MESSAGES: | | | | | | | | |
| $ .15 to $ .50 ........ | | | | 5¢ | 5¢ | Repealed | | Messages Under 25¢ Taxed as Local |
| $ .15 and Over ........ | 1¢ | Repealed | 5¢ | | | | | |
| $ .25 and Over ........ | | | | | | | | 5¢ for Each 50¢ or Fraction |
| $ .50 to $ .99 ........ | | | | | | | 10¢ | |
| $ .51 and Over ....... | | | | 10¢ | 10¢ | Repealed | | |
| $1.00 to $1.99 ........ | | | | | | | 15¢ | |
| $2.00 and Over ........ | | | | | | | 20¢ | |
| TELEGRAPH, CABLE OR RADIO MESSAGES: | | | | | | | | |
| $ .15 to $ .50 ........ | | | | 5¢ | 5¢ | Repealed | | |
| $ .15 and Over ....... | 1¢ | Repealed | 5¢ | | | | | |
| $ .51 and Over ....... | | | | 10¢ | 10¢ | Repealed | | |
| All Telegraph Messages | | | | | | | 5% | |
| All Cable and Radio Messages .......... | | | | | | | 10¢ | |
| All Telegraph, Cable and Radio Messages .. | | | | | | | | 10% |
| Domestic Telegraph, Cable & Radio Msgs. ... | | | | | | | | |
| International Telegraph, Cable & Radio Msgs. | | | | | | | | |
| LEASED WIRES: | | | | | | | | |
| Between Local Service Areas .............. | | | | 10% | 10% | Repealed | 5% | |
| All Leased Wires ...... | | | | | | | | 10% |
| WIRE AND EQUIPMENT SERVICE ............ | | | | | | | | 5% |
| LOCAL TELEPHONE SER. AND "ALL OTHER": | | | | | | | | |
| All Local Telephone Service and Toll Messages Under 25¢ ..... | | | | | | | | 6% |
| PROVIDES FOR TERMINATION DATE........... | Yes | — | No | No | No | — | Yes | No |

Note : Where the tax rate in the above tabulation is an amount of money, the rate applies to each message in the class.
Where the tax rate is a percentage, the rate applies to the total of the charges in each class, except in the case of messages originated at coin box telephones in which case the rate is applied to each message and amount of tax is computed to the nearest nickel.
Where a rate is not repeated in this table, the rate was repealed where so noted, otherwise it is absorbed in another rate.

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E1128

Exhibit 117B

# FEDERAL EXCISE TAXES ON COMMUNICATION SERVICES

| Title of Tax Law and Effective Date / Taxable Services | Revenue Act of 1942 11/1/42 | Revenue Act of 1943 4/1/44 | Excise Tax Act of 1947 3/11/47 | Revenue Act of 1951 11/1/51 | Excise Tax Reduction Act of 1954 4/1/54 | Internal Revenue Code of 1954 1/1/55 | Technical Changes Act of 1958 1/1/59 | Tax Rate Extension Act of 1959 7/1/59 |
|---|---|---|---|---|---|---|---|---|
| TELEPHONE MESSAGES: | | | | | | | | |
| $ .15 to $ .50 ……… <br> $ .15 and Over ……… | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Under 25¢ Taxed as Local | Messages Within Local Ser. Area Taxed As General-- Toll Msgs. Taxed As Toll | Messages Within Local Ser. Area Taxed As General-- Toll Msgs. Taxed As Toll |
| $ .25 and Over ……… | 20% | 25% | 25%* | 25%* | 10% | 10% | | |
| TELEGRAPH, CABLE OR RADIO MESSAGES: | | | | | | | | |
| All Telegraph, Cable and Radio Messages … | | | | | 10% | 10% | 10% | 10%* |
| Domestic Telegraph, Cable & Radio Msgs. … | 15% | 25% | 25%* | 15% | | | | |
| International Telegraph, Cable & Radio Msgs. … | 10% | 10%* | 10%* | 10%* | | | | |
| TOLL TELEPHONE SERV. | | | | | | | | |
| All Toll Messages …… | | | | | | | 10% | 10%* |
| LEASED WIRES: | | | | | | | | |
| All Leased Wires …… | 15% | 25%# | 25%* | 25%* | 10% | 10% | | |
| TELETYPEWRITER EXCH. SERVICE ……… | | | | | | | 10% | 10%* |
| WIRE MILEAGE SERVICE AND "ALL OTHER" … | | | | | | | 10% | 10%* |
| WIRE AND EQUIPMENT SERVICE ……… | 5% | 8% | 8%* | 8%* | 8% | 8% | 8% | 8%* |
| LOCAL TELEPHONE SER. AND "ALL OTHER": | | | | | | | | |
| All Local Telephone Service and Toll Messages Under 25¢ …… | 10% | 15%# | 15%* | 15%* | 10% | 10% | | |
| GENERAL TELEPHONE SERVICE: | | | | | | | | |
| All Telephone Service with Access to Exchange System ……… | | | | | | | 10% | 10% |
| PROVIDES FOR TERMINATION DATE ……… | .No | Yes | No | No | No | No | No | Yesϕ |

**Note:** Where the tax rate in the above tabulation is an amount of money, the rate applies to each message in the class. Where the tax rate is a percentage, the rate applies to the total of the charges in each class, except in the case of messages originated at coin box telephones in which case the rate is applied to each message and amount of tax is computed to the nearest nickel.

Where a rate is not repeated in this table, the rate was repealed where so noted, otherwise it is absorbed in another rate.

* Continued without specific mention in this Act.

# Effective with bills rendered on and after May 1, 1944.

ϕ The Tax Rate Extension Act of 1959 provided that the tax on general telephone service would terminate on June 30, 1960. Subsequent tax rate extension acts have extended this tax for additional periods of a year.

§ The Tax Rate Extension Act of 1962 provided an exemption from tax for most private lines used in the conduct of a trade or business.

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E1129

Exhibit 117B

# FEDERAL EXCISE TAXES ON COMMUNICATION SERVICES

| Title of Tax Law and Effective Date / Taxable Service | Tax Rate Extension Act of 1962 | Excise Tax Reduction Act of 1965 | Tax Adjustment Act of 1966 | House Joint Resoluting 1228 |
|---|---|---|---|---|
| | 1/1/63 | 1/1/66 | 4/1/66 | 4/1/68 |
| TELEPHONE MESSAGES . . | Messages Within Local Ser. Area Taxed As General-<br>Toll Msgs. Taxed As Toll | Messages Within Local Ser. Area Taxed As Local-<br>Toll Msgs. Taxed As Toll | Messages Within Local Ser. Area Taxed As Local-<br>Toll Msgs. Taxed As Toll | Messages Within Local Ser. Area Taxed As Local-<br>Toll Msgs. Taxed As Toll |
| TELEGRAPH, CABLE OR RADIO MESSAGES: | | | | |
| All Telegraph, Cable and Radio Messages . . . | 10%* | Repealed | | |
| TOLL TELEPHONE SERV. All Toll Messages. . . . . . | 10%* | 3 | 10 | 10 |
| TELETYPEWRITER EXCH. SERVICE . . . . . . . . . . . | 10%* | 3 | 10 | 10 |
| WIRE MILEAGE SERVICE AND "ALL OTHER" . . . | 10%*§ | Repealed | | |
| WIRE AND EQUIPMENT SERVICE . . . . . . . . . . . | 8%* | Repealed | | |
| LOCAL TELEPHONE SERVICE: | | | | |
| Telephone Service with Access to Exchange System . . . . . . . . . . . | | 3 | 10 | 10 |
| GENERAL TELEPHONE SERVICE: | | | | |
| All Telephone Service with Access to Exchange System . . . . . . . . . . . | 10%*§ | | | |
| PRIVATE COMMUNICATION SERVICE: | | | | |
| All Private Line Service and PBX Systems . . . . . . . . . . . | 10%*§ | | | |
| PROVIDES FOR TERMINATION DATE. . . . . . . . . . | Yes ϕ | Yes | Yes | No |

**Note: The tax rate applies to the total of the charges in each class, except in the case of messages originated at coin telephone in which case the rate is applied to each message and amount of tax is computed to the nearest nickle.**

**Where a rate is not repeated in this table, the rate was repealed where so noted, otherwise it is absorbed in another rate.**

*** Continued without specific mention in this Act.**

**§ The tax reduction Act of 1962 provided an exemption from tax for private lines used in the conduct of a trade or business.**

**ϕ The tax rate extension Act of 1959 provided that the tax on general telephone service would terminate on June 30, 1960. Subsequent tax rate extension acts extended this tax through June 30, 1965.**

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E1130
**Exhibit 117B**

## FEDERAL EXCISE TAXES ON COMMUNICATION SERVICES

| Title of Tax Law & Effective Date / Taxable Service | Rev. & Exp. Control Act of 1968 | Excise, Estate and Gift Tax Adjustment Act of 1970 ∮ | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 5/1/68 ✱ | 1/73 | 1/74 | 1/75 | 1/76 | 1/77 | 1/78 | 1/79 | 1/80 | 1/81 | 1/82 |
| TELEPHONE MESSAGES | | Messages within local service area taxed as local - Toll messages as toll. | | | | | | | | | |
| TOLL TELEPHONE SERVICE<br>All Toll Messages | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | [illegible] |
| TELETYPEWRITER EXCH. SERVICE | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | |
| LOCAL TELEPHONE SERVICE<br>Telephone service with access to Exchange Subscribers | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | |
| PROGRESSIVE TERMINATION SET | Yes | ← Yes → | | | | | | | | | |

Note: ✱ Signed into law 6/28/68 - Excise tax rate of 10% made effective retroactively beginning 5/1/68.

∮ The Tax Adjustment Act of 1966 would have dropped the excise tax rate to 1% beginning 4/1/68. HJ Res. 1223 continued the rate at 10% for one month to 5/1/68.

" A termination date for the tax of 1/1/69, established by the Tax Adjustment Act of 1966 was repealed by the Revenue and Expenditure Control Act of 1968 and a 1/1/73 termination date established. The Tax Reform Act of 1969 repealed the 1/1/73 termination date and substituted a 1/1/74 date. At the same time, the schedule of reductions set down by the Rev. and Exp. Control Act of 1968 (1/1/70 - 5%, 1/1/71 - 3%, 1/1/72 - 1%) were extended one year by the Tax Reform Act of 1969. Thus, the 10% rate was continued through 1970.

∮ The Excise, Estate and Gift Adjustment Act of 1970 extended the 10% rate through 1971 and 1972.

E1131
Exhibit 117B

## PART 2

## CLASSIFICATION OF COMMUNICATION SERVICES

### General

2.00 This Part relates to the classification for tax purposes of charges made by telephone companies. See Par. 1.03 for the rationale of the organization of this part.

Paragraphs 2.01 - 2.09 Reserved

### Charges for Other than Communication Services

2.10 Charges by telephone companies for other than communication services are not subject to tax. Examples of such charges are:

(a) Sales of real and personal property.

(b) Rental or sale of directories.

(c) Rental of pole space for attachments.

(d) Rent of floor space.

(e) Directory advertising, including bold type listings in alphabetical directories.

(f) Customer deposits.

(g) Artificial larynx.

(h) Rental of conduit space.

(i) Rental of off-line equipment for use in training or testing of manufacturers' products and data processing systems.

(j) Charges for special billing detail (QZ, toll ticket reproduction, etc.).

Paragraphs 2.11 - 2.19 Reserved

### Charges for Communication Services

2.20 Charges for local telephone service, toll telephone service, and teletypewriter exchange service are taxable under Section 4251 of the Code in accordance with the schedule set forth in Par. 1.01. Section 4252 of the Code defines these three taxable communication services and also provides a definition of

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E1132
**Exhibit 117B**

nontaxable private communication service. For this reason, and in order to help determine whether charges for certain communication services listed in Exhibit A to this Part are taxable or nontaxable, broad definitions of local telephone service, toll telephone service, teletypewriter exchange service and private communication service follow.

### Local Telephone Service, Defined

2.21 The term local telephone service refers to that service which provides access to a local telephone system and the privilege of telephonic quality communication with substantially all persons having telephone or radiotelephone stations which are part of such local telephone system. In general, this is the residence and basic business telephone service. Local telephone service also includes any facility or service provided in connection with the service described above, if the facility or service does not come within the definition of private communication service (see Par. 2.24). Charges for local telephone service are taxable.

#### Local Area Message Charge

2.2101 Local area message charges include charges for messages in excess of a specified number (generally referred to as message unit charges) and any per message charges billed in connection with interzone calls, radiotelephone calls and conference calls, within a local service area are classified as local telephone service.

#### Repair, Maintenance and Replacement Charges

2.2102 Repair, maintenance and replacement charges are not generally billed as such by Bell System companies to their customers. However, recurring repair charges, etc., are billed in connection with toll stations (Par. 2.2204) and service stations (Par. 2.2103). Such charges are classified as local telephone service.

#### Service Stations (e.g., Farmer Lines)

2.2103 This type of service is furnished to individuals, or groups of individuals organized as an association, located in an outlying area where normal exchange service is not available. The individual or group constructs and maintains the lines connecting the telephones to the nearest Bell lines. Exchange and toll service is made available to the service stations through interconnection with the Bell central office switchboard. A monthly charge is made for this interconnection, either to the service station group contracting for the service or directly to the individuals. Toll messages are billed in the same manner. In certain instances, the telephone instruments may be owned by the Bell company, in which case a monthly charge is made for each instrument. Where billing is direct to the individuals, the local telephone service tax applies to the monthly charges for switching and interconnection and for any charges which may be made for maintenance or rental of the telephone instruments. Where billing is to the group, which in turn bills the individuals in the group, no tax should be billed by the Bell company, but tax should be billed and remitted to the Government by the group. The tax is billed by the Bell company on toll messages whether the billing is to the group or direct to the individuals.

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NOTE: In many instances special arrangements are made with such groups which provide for the Bell company billing individual members for services and tax and remitting the tax to the Government. These arrangements have not been held by the Internal Revenue Service to be objectionable.

Toll Telephone Service, Defined

2.22 The term toll telephone service refers to a telephonic quality communication for which there is a toll charge which varies in amount with the distance and elapsed transmission time of each individual communication. Included within the definition of toll telephone service is Wide Area Telephone Service (WATS). Charges for toll telephone service are taxable.

Toll Message Charges

2.2201 A toll message charge is a charge for a completed call from a fixed or mobile station which terminates outside the local service area. Included herein are those calls originated for the transmission of data and those completed through the facilities that provide service for air-to-ground, coastal harbor and high seas communications. Such messages are classified as toll telephone service.

Special Reversed Charge Toll Service

2.2202 Special reversed charge toll service is an arrangement whereby long distance calls may be sent collect without specific request for reversal of charges. Message charges are classified as toll telephone service.

Messenger Service

2.2203 Messenger services may be employed by telephone companies to locate persons unable to be reached by a telephone and bring them to a telephone. In such cases, the calling party agrees in advance to reimburse the telephone company for any expenses it may incur in connection with the messenger service. The charges for such messenger service are classified for tax purposes as toll telephone service.

NOTE: Under current traffic operating and mechanized toll billing procedures, it is impracticable to associate the messenger ticket and toll ticket to determine if the call was completed. Accordingly, tax should be applied to all charges for messenger service. Where a customer makes a claim for refund or credit of tax on a messenger service charge for which there is no corresponding record of a completed call, the Business Office will arrange for the refund or credit and forward an adjustment voucher to Accounting.

Toll Station

2.2204 Toll stations are company-owned stations connected directly to a toll board and are normally located in communities not regularly provided with exchange service facilities. There are two classes of toll stations - private and public. Private toll stations are primarily for the use of the customer, although the customer may allow the general public the use of such stations. A guarantee

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of usage usually applies. However, unlike semipublic coin telephones (see Par. 3.0302), only toll messages are made from private toll stations and these messages are taxed. If the entire guarantee were taxed a double tax would result. Therefore, only a deficit in the guarantee should be subject to tax, such tax to be classified as local telephone service. Public toll stations are provided for the use of the general public and the person with whom the telephone company arranges for the installation acts as agent for the company. No guarantees as to messages or revenues are required of the agent. Public toll stations with coin boxes are taxable as public coin telephones (see Par. 3.0303). An exception to this latter rule may exist if the coin box feature is only for the agent's convenience in collecting the charges from users and the telephone company bills the toll calls, with tax, to the agent in the same manner as if he were a private subscriber, in which event the agent pays the tax as billed. Private and public toll stations not equipped with coin boxes are subject to tax in the same manner as residence or business customers. Maintenance charges billed private toll stations are subject to the local telephone service tax (Par. 2.2102).

Service Station Messages

2.2205 Service stations are furnished individuals, or groups of individuals, located in outlying areas where general exchange services are not provided (see Par. 2.2103). Charges for toll messages from these stations are classified as toll telephone service.

Credit Plan Messages

2.2206 Under the Toll Credit Plan, holders of credit cards issued by Bell System companies are permitted to originate calls at any telephone and the charges will be billed to a telephone number determined by the credit card number. In general, only toll calls are permitted and these are classified as toll telephone service. In those cases where credit plan calls within a local service area are permitted, they are classified as local telephone service even though the amount charged for the call is determined by reference to a toll tariff or other surcharge schedule. This latter point is of importance, however, only in the application of the news service exemption (see Par. 4.31). See also Par. 3.0201 for application of tax when credit plan calls involve foreign countries.

Teletypewriter Exchange Service, Defined

2.23 The term teletypewriter exchange service, refers to that service which provid the access from a teletypewriter exchange station to the teletypewriter exchange system of which such station is a part, and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations constituting a part of the same teletypewriter exchange system. Charges for teletypewriter exchange service are taxable.

Teletypewriter Message Charge

2.2301 A teletypewriter message charge is a charge for each completed teletypewriter exchange service connection. Such charges are classified as teletypewriter exchange service.

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## Private Communication Service, Defined

2.24 The term private communication service includes private intercommunication systems and private lines along with associated services necessary or unique to the private communication service, if a separate charge is made for such services. Charges for private communication service are nontaxable regardless of whether such private services may be connected through switching with local telephone service, toll telephone service, or teletypewriter exchange service. Therefore, charges for (1) PBX systems (excluding trunk lines) and (2) Centrex systems (excluding unrestricted main centrex stations) are nontaxable private communication service.

### Restricted Centrex Stations

2.2401 Charges for restricted centrex stations are classified as nontaxable private communication service. However, when the charge for centrex service is subject to the minimum unrestricted station requirement of the tariff, all stations charged for at the unrestricted rate shall be taxable even though stations are arranged for restricted use at the request of the customer.

## Foreign Exchange Service

2.25 Foreign exchange service is telephone service furnished from an exchange other than that normally serving the area in which the customer is located. The charges are for a line or channel and local service as appropriate for the foreign exchange area. The line or channel charges may be either based upon mileage or at a flat rate in lieu of mileage. Charges for line or channel facilities are not taxable as private line services. Charges in connection with the provision of local service are taxable.

Paragraph 2.26 - 2.30 Reserved

## Composition of Uniform Service Order Code Manual

2.31 The USOC Manual is a machine listing of Uniform Service Order Codes (USOC) published by the A.T.& T. Co. The USOC codes and their accompanying descriptions are grouped into fourteen service and equipment categories. In addition, a decode section in numeric alphabetic sequence is provided with a "tax status" listing for every code. Periodic revisions of pages and entire sections will be made as necessary. The Manual will be stocked by the Western Electric Company and requirements for new or additional Manuals should be processed through the USOC Coordinators of local companies.

## Tax Classification of USOC Codes

2.32 Three designations pertaining to the tax classifications of USOC codes are listed in Exhibit A. The designations are Taxable (T), Nontaxable (N) and Dependent (D). Each USOC code has one of these designations listed in the tax

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status column for tax classification purposes. If a telephone company has significantly changed the description of a USOC code for its own use, the tax classification also may require changing accordingly.

Taxable (T) Designation

2.3201 A Taxable (T) designation signifies that the charge for this particular item of service or equipment is taxable as either local telephone service, toll telephone service, or teletypewriter exchange service as defined in Par. 2.21, Par. 2.22, or Par. 2.23, respectively.

Nontaxable (N) Designation

2.3202 A Nontaxable (N) designation indicates that the service or equipment charge for this item is nontaxable for any one of the several reasons listed below:

(a) Charges for private communication service as defined in Par. 2.24 are nontaxable.

(b) Section 4253 (g) of the Code provides that amounts paid for the installation of a communication service are not subject to tax. However, amounts paid for repairs, maintenance or replacement in connection with a communication service are taxable (Par. 2.2102). The following table lists examples of installation and related charges which are not subject to tax. These charges are all of a nonrecurring nature.

Installation
Service Connection
Restoral of Service
Move
Rearrangement
Contract Termination

Change
Substitution
Color, Princess,
Touchtone, etc.
Construction
Program Setup

(c) Equipment and services which are not considered to be "associated facilities and services" as included in the definition of local telephone service (Par. 2.21) are nontaxable. Examples of such equipment and services are:

(1) Message registers, totalizers and word counters.

(2) Emergency reporting systems.

(3) Dial intercommunicating lines.

(4) Service training and other monitoring equipment.

(5) Booths and signs.

(6) Paper holders and tape winders.

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### Dependent (D) Designation

2.3203 A Dependent (D) designation indicates that the service or equipment can be used with either a taxable or nontaxable class of service. The charge is nontaxable if the service or equipment comes within the definition of a private communication service (see Par. 2.24). Otherwise, the service is taxable as either local telephone service, toll telephone service, or teletypewriter exchange service. The class of service entry on each service order can be used to provide information needed to determine the appropriate tax status of the item of service or equipment.

### Dependent (D) Designation - General Rules for Determing Tax Status

2.32031 The following general rules may be of further assistance in determining the proper tax status for items of service or equipment designated as Dependent (D):

(a) Charges for service or equipment are nontaxable if associated with a private line, PBX system, Centrex system (excluding unrestricted centrex stations), or dispatching and signaling service.

(b) Charges for service or equipment are taxable if associated with business main service, residence main service, general mobile service or teletypewriter exchange service.

### Rationale of Classification of Certain USOC Codes

2.33 The underlying reason for assigning a particular tax classification to an item of service or equipment listed in the Manual is not always immediately apparent. For this reason the following information may be helpful:

(a) Services and equipment for which there is no charge have been assigned a nontaxable designation. Most nonrecurring charges also take a nontaxable designation except that those billed in lieu of continuing monthly charges (e.g., single payment options) are accorded taxable status. Recurring charges have been assigned a tax classification based on the service or equipment description.

(b) Tax status codes have been assigned according to the most common rate structures used by the various telephone companies, e.g., color sets and cords are usually billed at nonrecurring rates and have been assigned a tax status code on that basis. When a company bills a monthly rate for these services the tax status should be changed accordingly.

(c) Services defined as official, government, military, etc., have been assigned a tax status for the service described rather than for the subscriber to those services.

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## PART 3

## ADMINISTRATIVE RULES

### General

3.00 This Part of the Excise Tax Manual outlines generally applicable rules for classifying communication services among the various excise tax classifications.

### Amounts Paid for Communication Services

3.01 The communications excise tax is imposed on amounts paid for taxable communication services. The person paying for the service is liable for the payment of the tax. The company collecting payment for the service is required to collect the tax and pay it to the government (see Part 6). The practice of telephone companies is to accrue tax amounts in their accounts at the time of billing. Thus, the controlling records for report purposes do not reflect tax amounts paid. However, in the event billed amounts are not subsequently paid an adjustment of the accounts is made in order to align record accruals with amounts actually paid.

### Charges for Communication Services to Customers Outside the United States

3.02 With the exception of local telephone service furnished in the United States, all amounts billed and paid for outside the United States for communication services are not subject to the United States tax. This rule applies even though the communication service may be furnished wholly within the United States. The point at which the bill to the communications user is prepared is controlling, regardless of the place to which the bill is forwarded. The term United States includes (1) the fifty states and the District of Columbia, (2) inland waters (such as rivers, bays, etc.) lying wholly within the United States, (3) waters within an international boundary line, and (4) waters known as a marine league from low tide along the coast line. Ships within the above designated waters, whether of foreign or domestic registry, are considered to be within the United States.

#### Credit Plan, Third Number and Sent Collect Calls

3.0201 Charges for credit plan, third number and sent collect messages are subject to tax if billed to a customer inside the United States irrespective of the originating and terminating points of the call. For example, charges for a call originated in a foreign country by a United States credit card holder and billed in the United States are subject to tax. Conversely, a call originated in the United States that is billed in a foreign country is not subject to tax.

### Intercompany Billing

3.0202 Communication charges billed to another telephone company in the United States for inclusion in bills to its customers should not reflect tax. It is the responsibility of the company that bills the ultimate customer to bill

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and collect the tax. However, intercompany billing to a telephone company outside the United States for local telephone service furnished in the United States should include tax. Such billing for other services should never include tax. See Par. 5.0113 for summary billing procedures.

## Coin Telephone Service

3.03 The tax treatment to be applied to charges for telephone messages originating at coin telephones varies in certain respects from that for noncoin telephone services, as discussed in the succeeding paragraphs.

### Definition of Coin Telephone Service

3.0301 For purposes of the application of tax, coin telephone service refers to coin operated telephones to which the public has access, i.e., public and semipublic telephones, where charges for messages are paid by the insertion of coins. Service at attended public telephones is not considered as coin telephone service during such hours as the telephones are attended, even though the instruments are coin box equipped.

### Semipublic Telephone Service

3.0302 The entire amount of the guarantee on a semipublic telephone is subject to the local telephone service tax notwithstanding the fact that the amount required to be paid under the guarantee may be reduced or eliminated by reason of amounts collected from the coin box. If a contingent rental charge is made in addition to the guarantee, the amount of such charge is subject to tax as local telephone service only if it is paid. Tax does not apply to local messages, nor toll messages under 25 cents, when paid for by depositing coins. Tax does not apply to amounts paid for local messages in excess of the guaranteed number. A message originating and terminating within a local service area is a local message irrespective of the fact that, because the call is made on a person-to-person, collect or credit card basis, the amount charged for the call is determined by reference to a toll tariff or other surcharge schedule. The toll telephone tax applies to toll messages for which the charge is 25 cents or more, the tax being computed to the nearest multiple of 5 cents, and raised to the next higher multiple of 5 cents if midway between two multiples of 5 cents.

### Public Telephone Service

3.0303 Charges paid for by insertion of coins in public coin telephones are nontaxable for all messages within the local service area irrespective of the amount of the charge. A message originating and terminating within a local service area is a local message irrespective of the fact that, because the call is made on a person-to-person, collect or credit card basis, the amount charged for the call is determined by reference to a toll tariff or other surcharge schedule. Telephone toll messages amounting to 25 cents or more are taxable as toll telephone service, the tax to be computed on the charge for each message. The amount of tax should be computed to the nearest multiple of 5 cents, and raised to the next higher multiple of 5 cents if midway between two multiples of 5 cents.

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### "Split-charge" Messages

3.0304 In the case of "split-charge" toll messages, the portion of the charge collected at a coin telephone is taxable as toll telephone service if it amounts to more than 24 cents, otherwise that portion is not subject to tax. The portion of the charge to be billed to a second telephone is also taxable as toll telephone service, the amount of tax to be computed only on the amount billed. If both telephones are coin telephones, the total tax collected will be the toll telephone tax to the nearest multiple of 5 cents computed on the total charge.

### Undercollections

3.0305 Since tax applies only to the amount paid for telephone service, tax is not due on uncollected amounts (i.e., shortages) at coin telephones. In such cases it will be necessary to prorate the amount collected between revenue and tax. 1/11 of the amount collected should be considered as the amount of tax. However, because the amount of tax collected at coin telephones must necessarily be in multiples of $.05, the following rule should be applied:

(a) Divide the amount collected by 11.

(b) The amount thus obtained should be recomputed to the nearest multiple of $.05 and raised to the next higher multiple of $.05 if midway between two multiples of $.05. For example, if the amount collected is $.85 dividing by 11 gives $.077. Since the nearest multiple is $.10, the amount collected should be apportioned as $.75 revenue and $.10 tax.

### Slugs and Theft

3.0306 Where, because of the deposit of counterfeit coins or slugs, the amount of genuine coins collected from the coin box is not sufficient to cover the toll charges for the collection period, 1/11 of the amount of genuine coins is presumed to be tax. Where, due to theft or other casualty the entire contents of the coin box are lost, the company is not liable for any amount of tax for the period since the date of the last collection.

### Overcollections

3.0307 Tax does not apply to amounts of coin box overcollections.

## Services Furnished Free or at a Reduced Rate

3.04 Communications excise tax applies only to amounts paid. Thus, where no payment is made no tax applies. Where services are furnished free, no tax attaches. Where services are furnished at a reduced rate, tax applies to the amount

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paid. However, where the furnishing of taxable services is compensated for in some medium other than money, the tax applies to the monetary value of such compensation. Where a charge is written off or cancelled for any reason, the tax on such charge should also be withdrawn, subject to reinstatement should such charges be paid later.

Services Subject to State and Local Taxes

3.05 Where a state or local taxing authority imposes a tax on the telephone company which is required or permitted to be passed on to the customer as part of the charge for service and which is accounted for as revenue, such tax is includible in the base for computation of the Federal excise tax. Those taxes accounted for as collected taxes are not includible in the Federal excise tax base.

Equipment Furnished for Use on Customer-Owned Lines

3.06 Charges for telephone instruments connected to customer-owned lines are taxable as local telephone service if the lines can connect with exchange facilities. Where the lines cannot connect with exchange facilities no tax applies. If, however, any circuits are furnished with the instruments, the tax status of charges for the instruments is governed by the tax status of the charges for the circuits.

Attended Telephone Service

3.07 Where calls are made from attended telephones, the attendant should collect the local telephone service tax from the customer for all messages within the local service area irrespective of the amount of the charge. In the case of toll messages the toll telephone service tax applies. If the customer pays for more than one message at the same time, tax should be computed separately on the total charge subject to the local telephone service tax and the total charge subject to the toll telephone service tax.

Surcharges

3.08 The Geneva Radio Convention established that special charges would be applied to telephone messages transmitted through the facilities of certain ships. As the United States was a member of the convention, the Bell System is obligated to collect and remit these charges to the ship companies for whom they are collected. The amount to be collected, as a surcharge to the message charge, is billed to United States customers for received collect from or sent paid messages to certain foreign ships listed in the Ship and Aircraft Rate and Route Guide. Billing of the surcharge may be in connection with a local call that is classed as local telephone service, or associated with a call that is classed as toll telephone service. Surcharges are classified in accordance with the tax classification of the message charge.

Institutional Centrex or PBX Service

3.09 Students in a college or university may be furnished local and toll telephone service through the Centrex service or the PBX furnished the school. The telephone company's customer is the college or university and is generally exempt from

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tax either as a nonprofit educational organization (see Par. 4.23) or a governmental body (see Par. 4.12). The exemption, however, does not extend to students and amounts paid by them for any personal toll telephone messages are subject to tax. The institution is responsible for the billing, collecting and remitting of tax on student's toll charges. In many instances special arrangements are made to provide for the telephone company, to bill the individual student's charges and collect the tax. These arrangements have not been held by the Internal Revenue Service to be objectionable.

NOTE: Where local service is provided students as part of the dormitory room rental charge or other similar overall charge, without detail, no tax will apply.

Night Depositary Losses

3.10 Night depositary boxes are installed at various business office locations to permit the payment of bills outside business hours. When subscriber revenues and associated tax amounts are lost from these boxes due to fire or theft, telephone companies are not liable to the Federal government for any unrecovered tax amounts. This rule would not apply, however, to amounts deposited by telephone companies in night depositary boxes of banks.

Single Payment Option Charges

3.11 The term single payment option refers to a rate plan which offers the customer certain supplemental items of service (Trimline, Princess and Bell Chime) for a single payment charge in place of the regular nonrecurring charge and continuing monthly charge. When a supplemental item is paid for by selection of a single payment option in lieu of a recurring monthly charge which would normally be subject to Federal excise tax, the single payment charge is taxable.

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## PART 4

## EXEMPTIONS

### Scope

4.00 Exemptions from communication excise tax on service otherwise subject to tax may be accorded under certain conditions, as provided by the Internal Revenue Code and regulations and rulings issued thereunder, or by other Federal statutes. This Part of the manual sets forth the circumstances under which exemptions apply, the extent of such exemptions and the certification, if any, required in connection therewith.

### Federal Income Tax Versus Federal Excise Tax Exemption

4.0001 It is important to note that the exemption from tax granted to nonprofit charitable, religious, scientific, public safety, literary, and educational organizations under section 501(c)(3) of the Code applies specifically to Federal income tax. The exemption is not necessarily applicable to Federal excise tax unless the exemption eligibility requirements specified in the Code and described in this Part are met. Thus, a determination letter from the Revenue Service granting exemption from income tax under section 501(c)(3) is not sufficient evidence to provide exemption from excise tax without additional support. For example, the Girl Scouts of America are entitled to a section 501(c)(3) exemption but are specifically excepted from the communications excise tax exemption (Rev. Rul. 68-569).

### Administration of Exemption Provisions

4.01 The exemption provisions of the Code and regulations are to be carefully applied. Where an individual customer or group of customers obtains a letter ruling from the Internal Revenue Service that no tax applies to the charges for some or all of the services which it uses, such exemption should not be extended to other customers in a similar position until the matter has been reviewed in the office of the Director of Taxes of the American Company. The same procedures should be followed in connection with rulings obtained by customers concerning the furnishing of exemption certificates authorizing billing of charges without tax.

### Exemption Certificates

4.02 Exemption from tax on communication services is accorded certain customers without certification, as outlined in 4.10 through 4.14. In all other cases, however, the right to exemption must be evidenced by a properly executed exemption certificate (see Par. 4.20 through 4.33). Exemption certificates may be divided into two broad categories; those which are the basis for withdrawal of tax on charges previously billed and those which support the billing of charges without tax (see Par. 4.0201 and 4.0202).

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## Form of Exemption Certificate - Withdrawal of Tax Billed

4.0201 With the exception of certificates for withdrawal of tax billed to state, etc., governments or international organizations and combat zone telephone calls and certificates for use by nonprofit educational organizations, no form of certificate is prescribed by law or regulations. However, in certain cases a standard form of certificate has been agreed upon for use by certain customers. Specimens of these and other forms appear in Appendix B. In general, in order to prevent confusion for customers obtaining service from more than one Bell System company, exemption certificates should follow the format of the specimen forms. The essential elements of an exemption certificate are:

(a) Name of person claiming exemption.

(b) Amount of charges exempt from tax.

(c) Date and telephone number of bill on which charges were billed.

(d) Reason for exemption. (Reference to appropriate Code section should also be made.)

(e) Usage of services for which exemption is claimed (where appropriate).

(f) Source of funds from which charges are paid (where appropriate).

(g) Amount of tax credit claimed.

(h) Signature of person authorized to prepare certificate.

It is not necessary that a certificate list in detail the charges for which exemption is claimed; for example, individual toll calls, where such charges appear on a bill or group of bills rendered to or paid by the customer claiming exemption. Where a telephone message originates at a coin telephone, hotel or residence telephone other than that of the customer claiming the exemption, the terminal cities, telephone numbers, and date of call should be furnished.

## Form of Exemption Certificate - No Tax to Be Billed

4.0202 In certain cases, covered in the discussion of specific exemptions, tax may be omitted from billing upon the submission by the customer of a certificate or statement. These statements are required in two general circumstances, which may coexist:

(a) Where the name in which the account is billed does not clearly indicat the customer is entitled to exemption.

(b) Where the exemption depends upon the usage of the services or facilities.

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Certificates or statements should clearly state the reason for exemption, preferably with reference to the appropriate section of the Code, including the use made of the services if pertinent to entitlement to exemption. Also, it may be necessary to indicate the source of funds used for payment of the charges.

Filing of Exemption Certificates with the Telephone Company

4.0203 In those instances where a certificate is required to support billing without tax, the customer should provide the telephone company with a certificate for each service or group of services within the scope of a particular exemption provision. When items of service to which tax exemption applies are added to a customer's account, and if such new service falls within the scope of a certificate previously supplied, it is not necessary to obtain a new certificate. When all services in connection with a particular exemption certificate are discontinued, the certificate should be removed and placed in the inactive file for the prescribed retention period. See Par. 4.05 for requirements regarding the renewal of continuing exemption certificates.

Responsibility of Telephone Company

4.03 The telephone company's responsibility for the validity of a claim for exemption is limited to determining the following: (1) the claim appears reasonable on the basis of information known by the telephone company, (2) the person certifying the claim is the person he represents himself to be and is authorized to so certify, and (3) the exemption is allowable by law on the basis of the facts set forth in the claim. The above is true to the extent applicable even though the exemption is accorded without certificate. Other than where charges are billed directly to obviously tax exempt customers where no certification is required, such as Federal, state and local governments, the telephone company is not responsible for determining those customers entitled to exemption and informing them of that fact. It is the customer's responsibility to claim any exemption to which he is entitled. Any telephone company decisions to advise customers (or, more practically, classes of customers) that they are entitled to exemption should be based on customer relations considerations.

Maintenance of Exemption Certificate Files

4.04 The file of exemption certificates which authorize the company to bill charges without tax should be maintained in the Accounting Department in such form as will permit ready reference in the event of question or audit. Exemption certificates for the withdrawal of tax billed should be forwarded to the Accounting Department together with the related adjustment vouchers (see Par. 5.05) and retained in the adjustment voucher files.

Review of Tax Exempt Accounts and Renewal of Certificates

4.05 Those customers' accounts which are billed without tax on a continuing basis should be reviewed annually to insure the exemption is applicable. When making the review, the telephone company should obtain a new exemption certificate from each customer. The specific review date is within the choice of the telephone

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companies but certificates must be renewed at least annually except in those cases where the certificate may be accepted on a continuing basis, e.g., nonprofit educational organizations (Par. 4.2301) and nonprofit hospitals (Par. 4.2501). The old exemption certificate should be placed in the inactive file upon receipt of the renewal certificate and retained for the prescribed retention period. The new certificate should then be maintained in the active file.

## Mixed Taxable and Exempt Usage

4.06 In the event a taxable communication service is shared by more than one customer and one or more of these customers is entitled to an exemption under the Internal Revenue Code, it is recommended that the tax be billed and subsequently withdrawn upon the presentation of an exemption certificate. The amount of exempt usage to which the customer certifies may be accepted by the telephone company without question. The same procedure should be followed where a customer has mixed taxable and exempt usage of a single service.

Paragraph 4.07 - 4.09 Reserved

## Customers Completely Exempt from Tax

4.10 The below listed customers are exempt from tax on all communication services.

## United States

4.11 Pursuant to authority granted him by Section 4293 of the Code, the Secretary of the Treasury has authorized the exemption from tax on any charges made for services furnished directly to the United States, where payment of such charges is made directly by the United States.

### Federal Departments and Bureaus

4.1101 The exemption extends to charges for services furnished to units of the departments and bureaus of the United States, such as Post Offices, Federal courts, U. S. veterans' hospitals, and posts and installations of the armed forces.

### Federal Agencies and Instrumentalities

4.1102 Certain agencies and instrumentalities of the United States are granted exemption from tax by the statutes creating them. This exemption extends to official calls made by their employees which are paid for by such agencies or instrumentalities. A list of such agencies is included as Appendix A-2. Claims for exemption by other Federal agencies and instrumentalities should be referred to the office of the Director of Taxes of the American Company.

### Federal Government Employees

4.1103 Payment for services furnished to, and paid from U. S. Government funds by employees of the Federal government, its departments or bureaus, such as payments for their official calls from hotels, pay stations or residences are

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not exempt from tax. Billing must be directly to the U. S. Government or a
department or bureau thereof to warrant exemption. The exemption, therefore, *
does not apply to Congressional District Office charges. *

Federal Government Contractors

4.1104 Payments for services furnished to a contractor, or other person, operating under a contract to perform work on behalf of, or furnish articles and materials to, the United States or any agency thereof are subject to tax. Where, however, service to be furnished at government owned plants operated by contractors is contracted for and paid for directly by the United States, tax may not apply. Exemption has also been granted in several instances to contractors with the Atomic Energy Commission. In all such instances the contractual arrangements have included unusual provisions for the disbursement of funds. It is suggested that before exemption is accorded in any case where a claim for exemption is presented by such a contractor, the contractor be requested to obtain a ruling from the Internal Revenue Service and furnish it to the telephone company.

Patients in Federal Government Hospitals

4.1105 Charges for toll messages of patients in military or naval hospitals are exempt from tax if paid for from funds administered and controlled by an instrumentality of the United States Government, even though such funds are made up of contributions by civilians. See Par. 4.13 for treatment of cases where charges for messages are billed to and paid by the Red Cross.

Exemption Certificate Requirements

4.1106 Where accounts are billed in the name of governmental departments, bureaus, agencies or instrumentalities, no certificate is required and no tax should be billed if payment is made from public funds and the name sufficiently identifies the account as a government account. In cases where the name in which an account is billed does not clearly indicate its status, a certificate should be furnished as authorization for billing without tax before exemption is accorded. For a satisfactory form of certificate, see Appendix B-1. Where an agency or instrumentality is exempt from tax as described in Par. 4.1102 on the basis that the stock of such agency or instrumentality is owned by the Federal government, but there is cause to believe that such stock may be transferred to nongovernmental persons, a certificate should be obtained which states that the certifying authority agrees to notify the telephone company in the event such a transfer takes place. In cases where exemption from tax is claimed on charges for messages telephoned from hotels, pay stations, residence telephones, etc., by employees of exempt agencies and instrumentalities, described in Par. 4.1102, which charges are paid from government funds, such claims must be supported by a certificate showing the particular message or messages for which exemption is claimed. See Appendix B-2 for a satisfactory form of certificate.

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## State and Local Governments

4.12 Section 4292 of the Code provides that no tax should be imposed upon any payment received for services furnished the government of any state, territory of the United States, or political subdivision thereof, or the District of Columbia. Services furnished governmental institutions are exempt from tax if payment for the services is made from public funds. Examples are county hospitals, public schools and courts.

### Quasi-Governmental Organizations

4.1201 The Treasury Department has ruled that certain volunteer organizations which are not formed for profit and are engaged in performing a particular civic function indicated by their titles are quasi-government organizations and the section 4292 exemption from tax applies. Examples of such groups are volunteer fire departments and, volunteer rescue squads or ambulance services. In addition, community organizations falling within the province of the Community Action function of the Economic Opportunity Program are entitled to exemption since they assume a function traditionally a responsibility of municipal government.

### Certain Services Not Billed to States, etc.

4.1202 Services billed to individuals and others, paid for by governmental funds are also exempt if properly certified. Examples of such services are residence service of municipal officials and services to committees and authorities established by governmental action.

### Exemption Certificate Requirements

4.1203 Where accounts are billed in the name of governments, governmental departments, agencies or institutions, and courts, etc., no exemption certificates are required and no tax should be billed. Amounts regularly paid from governmental funds, where the billing name does not clearly indicate the entitlement to exemption, should be billed without tax only after a certificate is received from the government making payment for the service. For a satisfactory form of certificate, see Appendix B-1. Exemption certification may be obtained from volunteer fire and ambulance groups using the Appendix B-1 form. Community Action organizations should provide an exemption certificate in the form shown in Appendix B-12. In all other cases tax should be billed, such tax to be withdrawn upon receipt of a certificate showing the charges for which exemption is claimed. See Appendix B-2 for a satisfactory form of certificate.

## American National Red Cross

4.13 Section 4253(c) of the Code exempts the American National Red Cross from tax on telephone services. The exemption extends to services furnished to local chapters and to toll messages of Red Cross representatives made from hotels, coin telephones or residence telephones, on official business of the Red Cross.

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Exemption Certificate Requirements

4.1301 Tax should not be included on bills rendered in the name of the American National Red Cross and no certificate is required. If, however, the name in which a local chapter is billed does not clearly indicate its status, a statement should be obtained from the chapter manager to support billing without tax. Tax on exempt calls made by representatives of the Red Cross may be withdrawn upon the presentation of an exemption certificate, similar in form to Appendix B-2.

Hospitalized Military Personnel

4.1302 Arrangements are in effect at some government hospitals whereby the charges on certain toll calls of hospitalized military personnel are billed to and paid by the Red Cross. The bill may be in the usual form of a telephone bill, or a list of the calls involved may be prepared at the hospital telephone center. In the latter case, the list should clearly indicate that it pertains to calls to be paid for by the Red Cross and a copy of the list should be sent to the telephone company with the remittance. The office receiving the remittance should forward the list to the appropriate revenue accounting offices for its records. No tax should be included on bills rendered. See Par. 4.1105 for exemption where payment is made from funds administered and controlled by an agency of the United States Government.

Ambassadors, Ministers and Other Duly Accredited Representatives

4.14 Ambassadors, Ministers and other duly accredited diplomatic representatives of foreign governments, together with members of their families living with them, and members of their households, including attaches, secretaries and clerks (but not servants) who are not citizens of the United States in an immigrant status, and who are nationals of the country of the diplomatic mission where employed, are not required to pay tax on telephone service. No tax shall be included in bills rendered and no exemption certificates are required. See Par. 4.24 for consular officers, etc., of treaty nations.

Paragraphs 4.15 - 4.19 Reserved

International Organizations

4.20 Certain international organizations are exempt from tax on telephone service by provisions of the International Organization Immunities Act and Executive Orders of the President of the United States. See Sections 4253(c) and 7701(a) (18) of the Code. For a list of such organizations, see Appendix A-3.

Exemption Certificate Requirements

4.2001 Where services are billed in the name of an exempt organization listed in Appendix A-3, or where the billing name is other than the name of the exempt organization but payment will be made from funds of the organization, an

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exemption certificate similar in form to Appendix B-1 should be obtained to support billing without tax. Exemption from tax may also be claimed on toll messages from hotels, coin telephones or residence telephones by use of the exemption certificate set forth as Exhibit B-2.

## Insolvent Banks

4.21 Insolvent banks are exempt from tax on communication services if the assets are insufficient to pay depositors in full, under Section 7507 of the Code.

### Exemption Certificate Requirements

4.2101 Insolvent banks may be billed tax exempt upon presentation of a certificate stating the facts upon which exemption is claimed. The certificate should be signed personally by the receiver or, in the case of state banks, by the person authorized to perform the duties of a receiver. Claims for refunds of tax previously paid, where allowable under law, should be made by the receiver or other authorized person directly to the government.

## Calls by Servicemen in Combat Zone

4.22 Section 4253(d) of the Code provides that no tax shall be imposed upon any payment received for a toll telephone or radiotelephone message which originates within a combat zone designated as such by Presidental Order, made by a member of the Armed Forces performing service insuch combat zone. This has, under present conditions, been interpreted to apply only to collect calls originating in combat zones and paid for in the United States.

### Combat Area - Definition

4.2201 Section 112(c) (3) of the Code provides that a combat zone be designated by Executive Order of the President of the United States. Vietnam, including the waters adjacent thereto, is the only designated combat zone for which an order is currently in effect. The exemption cannot be extended to calls originating from hospitalization or rest and rehabilitation centers outside of specified combat zones.

### Exemption Certificate Requirements

4.2202 Tax should be billed on all such calls, subject to withdrawal upon presentation of a certificate. A special form of certificate is prescribed for use inclaiming exemption under Section 4253(d). A specimen is set forth as Appendix B-7.

## Nonprofit Educational Organizations

4.23 Section 4294 of the Code provides an exemption from excise tax on all communication services furnished nonprofit education organizations. The term "nonprofit educational organization" means an organization whose primary function is the presentation of formal instruction and which normally maintains a regular faculty

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and curriculum and normally has a regularly enrolled student body in attendance at the place where its educational activities, including instruction of the mentally handicapped, are carried on. The term also includes a school operated as a function of a church, parish or other religious body. In both cases, exemption from income tax under Section 501 of the Code is an essential requirement. The exemption accorded nonprofit educational organizations has been extended by ruling to facilities housing teachers and administrative offices in parochial school systems and to nonprofit associates created and operated exclusively to carry out activities of educational organizations.

Exemption Certificate Requirements

4.2301 Separate exemption certificates, set forth as Appendix B-8 and Appendix B-9, respectively, have been prescribed for the church sponsored and other educational institutions. The appropriate certificates must be furnished to the telephone company before exemption may be granted. These certificates may be accepted as continuing certificates where the service is billed in the name of the institution of the church, etc., sponsoring the institution and the services billed are exclusively used by such institution. In cases where a bill includes services not clearly exempt under the rules stated above, tax should be applied on the total amount billed, and withdrawn to the extent that the customer certifies that a specific amount of the bill is for services used exclusively by the institution. This information should be entered on the same form of certificate as is used for continuing exemption, which should be submitted monthly.

Consular Officers, Agencies, Commissions

4.24 Consular officers of foreign governments, and other officers (see Par. 4.14 for diplomatic representatives) as well as agencies and commissions of foreign governments are exempt from tax on telephone communication services with respect to transactions arising in the performance of their official functions for which payment is made by the foreign government. See Par. 4.2402 for application of exemption.

Consular Officers, etc., of Treaty Nations

4.2401 Treaties between the United States and certain foreign governments provide that consular officers are exempt from tax on telephone services in respect of both personal and official transactions, where such officers are not citizens of the United States and are not engaged in a profession, business, trade, manufacture or commerce within the United States. The nations with whom treaties have been ratified and the classes of consular officials covered by such treaties are listed as Appendix A-1. See Par. 4.2402 for application of exemption.

Exemption Certificate Requirements

4.2402 Consular officers of nations having treaties with the United States should file annual exemption certificates showing that exemption is allowable under treaty provisions. Tax should not be billed thereafter. However, tax should be billed to consular officers of nations not having treaties, and to all

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officers and agents (other than diplomatic representatives or consular officers) of foreign governments. Where tax is billed, it may be withdrawn upon the furnishing of an exemption certificate showing that the transactions were of an official character. See Appendix B-5 and Appendix B-6 for satisfactory forms of certificates.

Nonprofit Hospitals

4.24 Section 4253(h) of the Code provides an exemption from tax on all communication services furnished nonprofit hospitals. The term "nonprofit hospital" means a hospital which is exempt from income tax under Section 501 of the Code.

Exemption Certificate Requirements

4.2501 Nonprofit hospitals should be billed without tax only after a certificate is received from the hospital making payment for the service. These certificates may be accepted as continuing certificates within the same guidelines established for nonprofit educational organizations (Par. 4.2301). For a satisfactory form of certificate, see Appendix B-11. Where a certificate has not been received tax should be billed, such tax to be withdrawn upon receipt of the certificate and a statement showing detail of the charges billed to the nonprofit hospital on or after April 1, 1966 (see Par. 5.03 regarding three year limitation on refund claims).

Paragraphs 4.26 - 4.29 Reserved

Customers Partially Exempt from Tax

4.30 The below listed customers are exempt from tax on certain communication services. The exemption is accorded these customers under selected conditions of usage of the service upon the presentation of a properly executed exemption certificate. See Paragraphs 4.01 through 4.05 for a detailed discussion of exemption certificates.

News Services

4.31 Services used in the collection and dissemination of news are exempt from tax on the charges therefore to the extent stated in Par. 4.3102 below, as provided by Section 4253(b) of the Code.

News - Definition

4.3101 "News" is interpreted to be information of interest to the general public as differentiated from information of interest to specific segments of the public. The exemption does not extend to services furnished magazines, periodicals and trade and scientific publications issued to supply information on certain subjects of interest to particular groups. Thus, racing news and market quotations have been held not to constitute news for purposes of the exemption.

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Scope of Exemption

4.3102 The exemption extends to all charges for communication services, except those classified as local telephone service, provided such services are used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio and television broadcasting, or in the dissemination of news through or by means of such agencies. Charges for news ticker services devoted to information of interest only to a particular segment of the public are not exempt. Charges for services used for administrative purposes, such as messages to and from correspondents relating to assignments for gathering and reporting news items for publication, are not entitled to exemption. The exemption applies only if the charges are billed in writing to the person paying such charges. Therefore, the exemption does not apply to toll messages from coin telephones.

News for Subscribers via Teletypewriter

4.3103 Teletypewriter service utilized by a radio broadcasting station to transmit general news from its news bureau to subscribing businessmen's clubs for the information of members of the clubs, the news service being made available by the radio broadcasting station to anyone desiring to subscribe thereto, has been held to be a news ticker service furnishing a general news service similar to that of the public press and therefore exempt from tax.

Exemption Certificate Requirements

4.3104 Tax should be billed on all charges for taxable communication services furnished news services. Tax on charges for toll telephone messages, TWX and Wide Area Telephone Service are subject to withdrawal upon receipt of a properly executed exemption certificate. See Appendix B-3 for a satisfactory form of certificate. Tax on message toll charges related to the dissemination of news may be withdrawn in total, and the tax on TWX and WATS charges may be withdrawn in the proportion the services used in the dissemination of news bears to the total usage.

Common Carriers, Telephone and Telegraph Companies
and Radio and Television Broadcasting Stations

4.32 Under Section 4253(f) of the Code, tax does not apply to payments for Wide Area Telephone Service utilized in the conduct by a common carrier or telephone or telegraph company or a radio or television broadcasting station or network, of its business as such. The exemption does not extend to payments for local telephone service, toll telephone messages, or TWX services.

Common Carrier

4.3201 "Common carrier" is a broad term which includes, among others, railroads, truckers, bus lines, street railways, taxicab companies, airlines and certain pipe line companies. Exemption may be granted to any person or organization coming within this general description upon the receipt of an exemption certificate which includes a statement that the claimant is a common carrier.

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Scope of Exemption

4.3202 The exemption from tax applies if the usage of WATS pertains to any activity of the customer as a common carrier, telephone or telegraph company or radio or television broadcasting station or network. Services used by such customers in the conduct of another business are not within the scope of the exemption. For example, the exemption does not apply to charges for WATS furnished to a railroad, which services are used by the railroad in operating a vacation resort.

Exemption Certificate Requirements

4.3203 Tax may be omitted from bills to customers entitled to exemption from tax under Section 4253(f) if the telephone company has satisfactory evidence in its possession that the services for which exemption is claimed are used in the conduct of the customer's business as such. No certificate is required if the contract for the service clearly states that the use of the service will be such that exemption is warranted. Where such is not the case, a certificate should be furnished to authorize billing without tax. A satisfactory form of such a certificate is set forth as Appendix B-4.

Exemption to Par. 4.3203 - Telephone Companies

4.3204 Where services are furnished another telephone company in the normal conduct of the telephone business, no tax need be billed nor exemption certificates filed.

Services Furnished to Miscellaneous Common Carriers

4.33 The Internal Revenue Service has held that the use of a single communication service shall be subject to a single tax. Therefore, where a taxable communication service furnished to a customer is used as a component of a service which he provides to his customers, no tax should be applied to the telephone company's charge. The telephone company's customer is responsible for collecting tax on charges he makes for whatever taxable service he renders. See Appendix B-10 for a satisfactory form of statement to support the billing of such service without tax.

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# PART 5

# BILLING AND ACCOUNTING

### Scope of Part 5

5.00 This Part covers the administrative procedures involved in billing, collecting, crediting, refunding and accounting for tax on amounts paid by customers for communication services.

### Billing - General Rule

5.01 The decision as to the number of tax computations which will be shown on a bill should be based on operational considerations. If a bill is rendered for local or toll service, the tax should be computed on a base composed of the sum of all charges for the particular service billed. However, if individual items are grouped as a billing convention, the tax should be computed on the sum of all items within that group and the tax on any remaining items not included in a group should be based on the charge for each item separately. In general, tax will be computed on the several elements included in a bill as described in the following paragraphs:

### Toll Messages

5.0101 No tax should be entered on toll tickets except in the case of tickets covering messages originating from public and semipublic coin box stations where the charge is more than 24 cents. Toll messages billed to customers should bear tax computed on the total of such charges contained on the bill. If, however, the billing procedure requires computation on each individual message, the computation should be extended to the number of decimal places that will result in the same total of tax as if the tax were applied to the total of the toll charges.

### Semipublic Tickets

5.010101 Tax collected on toll messages over 24 cents should be recorded with the revenues on semipublic collection records. Tax that has been included on such records should be summarized for controlling record and report purposes.

### Public Coin Box Tickets

5.010102 The amount of tax collected should be recorded with the revenues to collection record cards. Summaries of tax so posted should be prepared for controlling record and report purposes.

### Attended Station Tickets

5.010103 The amount of tax collected should be summarized for controlling record and report purposes.

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Monthly Local Service Charge

5.0102 The tax applicable to local telephone service should be entered on the subscriber's service and equipment record, and added to the monthly local service charge for entry on the bill. The tax should be computed on the total taxable charge, rather than individual components thereof.

Additional Local Messages

5.0103 Tax at the rate for local telephone service should be computed on the net local message charge to each customer and entered on appropriate billing records. Summaries should be prepared for controlling record and report purposes.

Interzone Messages

5.0104 No tax should be posted on tickets. Tax should be computed at the local telephone service rate on the total interzone message charge to each customer. Where message rate service is furnished and interzone messages are added to the total registered usage, the tax should be applied to the net local message charge. Where flat rate service is furnished, the tax should be applied to the total interzone message unit charges. The amount of tax should be entered on appropriate billing records, and summaries should be prepared for controlling record and report purposes.

Fractional Charges and Credits

5.0105 The amount of tax applicable to charges and credits for a fractional part of a month should be computed on the net total of the taxable charges on the Other Charges and Credits Statement. Summaries for controlling records and reports purposes should be made therefrom or from other underlying records.

TWX Service

5.0106 Tax should be applied to taxable charges including message charges and entered on appropriate billing, control and report records.

Semipublic Accounts

5.0107 Tax at the local telephone service rate should be billed on all fixed monthly or other recurring charges and on amounts guaranteed for local messages. Such tax should be summarized for controlling record and report purposes.

Tax-Exempt Accounts

5.0108 Where customers are exempt from billing of tax, through blanket exemption certificates or otherwise, service and equipment records or other billing records should be clearly marked as tax exempt. Where a blanket exemption certificate has a definite expiration date or other special conditions apply, such information should also be shown.

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## Delayed Charges

5.0109 In the event of failure to bill and tax at the time the related charges for service are billed or there is a failure to bill a sufficient amount of tax, tax amounts should not be billed retroactively if the failure to bill such tax amounts was due to reasonable doubt as to whether the law required collection of the tax. Thus, for example, retroactive billing would not apply in cases where the omission of tax from the customer's bill was based on an interpretation set forth in this Manual or other interim A.T.& T. Co. instruction. Whether or not tax is billed retroactively, however, has no bearing on the customer's tax liability. Tax may be levied by direct assessment against the customer by the Internal Revenue Service.

## Hotel Service Charges

5.0110 Tax should be billed to hotels and similar establishments at the toll telephone service rate on the gross amount (tariff charge) for toll messages. The hotel will collect the tax from its customers and remit the amount to the telephone company. Local telephone service tax should be applied to the net amount (after any commissions) billed such establishments for local service charges, local messages and interzone messages. No tax attaches to any charge made by the hotel for service rendered in placing calls for its guests.

## Ship and Aircraft Telephone Service

5.0111 Tax should be billed and collected as set forth below:

(a) Where a call to a ship or an aircraft is made from, or a collect call is made to, a land telephone, the land customer should be billed for the charges and taxed by the telephone company of which he is a customer.

(b) Where the call is made from a ship or an aircraft, or a collect call is made to a ship or an aircraft, the Bell System company with which the ship or aircraft is registered should bill the customer, including the appropriate tax.

(c) Where a ship or aircraft is registered with a non-Bell company coastal harbor land radiotelephone station and it makes a call or receives a collect call through a coastal harbor land radiotelephone station of a Bell company, the Bell company should bill the customer direct and include the tax.

(d) If a ship or aircraft registered with a Bell company makes a call or receives a collect call through a non-Bell company coastal harbor land radiotelephone station, the non-Bell company should bill the ship or aircraft direct, and include the tax.

(e) With respect to calls from ships in high seas service or coastal harbor service to land telephones or aircraft, or collect calls to ships (where permitted), the collecting of any tax which may be due is the responsibility of the ship or its operating agency.

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## Gift Telephone Service

5.0112 Where gift telephone service involves a lump-sum payment by the donor covering service for a period in advance, the appropriate tax should be computed on the total amount paid and included in the return for the month billed. Even though the amount paid is treated as a prepayment and transferred to revenue accounts over the period the service is furnished, no such spreading of the tax is permissible. Where billing for the service is rendered monthly over the period for which service is furnished, normal tax application procedures should be followed.

## Summary Billing

5.0113 Under summary billing, a single bill is issued to the customer to cover charges for communication services which would otherwise be separately billed at a number of locations. Separate billing advices including Federal tax amounts are prepared at the locations providing the service and forwarded to the summary billing point. Where exemptions apply, copies of the necessary certificates should be on file at the locations providing the service.

## Back Billing of Tax

5.0114 In cases where excise tax has inadvertently not been billed, whether due to a judgment, clerical error or other administrative lapse, billing should be started from the time the failure is discovered. However, billing of tax for back periods is not normally the telephone company's responsibility. On the other hand, when a bill is rendered for a period in the past during which revenue was properly due a telephone company but was not collected because of a failure to correctly bill, tax due will also be billed. Such a situation does not constitute "back billing" of tax since billing was never rendered for the period.

## Collecting

5.02 The telephone company should exercise the same diligence in collecting tax as it does in collecting charges for telephone service. Since the total collections are booked as cash and credited to customers' accounts in total, no segregation of amounts collected between telephone service and tax is required.

## Charges Written Off

5.0201 Where final accounts are written off as uncollectible, the amount of tax to be written off should be determined by applying the formulae described in Accounting Letter M-154. Where charges are withdrawn and written off as uncollectible on live accounts (disputed toll messages, local message charges, etc.), the appropriate amount of tax is also withdrawn and is treated as a reduction of the amount of tax paid in the return. Where revenue not previously billed is written off as uncollectible, no tax applies since there has been no payment for the service. Where uncollectibles are sold for a discounted amount,

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the difference between the face amount due and such discounted amount should be considered a write-off and the related tax withdrawn. However, if a fee, based upon amount collected or otherwise computed, is paid to a collector, such fee is not to be considered a reduction of the amount received in payment of a bill.

Refusal to Pay Tax

5.0202 Any case where a customer whose identity is known pays taxable charges but refuses to pay the tax must be reported to the District Director of Internal Revenue (see Paragraph 6.0101). When such report is made, the customer's account should be credited with the amount reported. No further action with respect to such tax is required of the telephone company. To constitute a case to be reported as a refusal to pay there must be a payment of charges for service and a failure to pay the related tax, and a declared refusal to pay such tax or failure to respond to collection efforts. Failure to pay tax because of a telephone company error, such as failure to quote or request the proper tax on coin telephone calls, should not be considered as a refusal to pay tax.

Credits and Refunds

5.03 Refunds due customers on tax collected in excess of the amounts due may be obtained by them either from the telephone company or the Internal Revenue Service. Where a refund is made, or a customer's account is credited, by a telephone company, no interest on the amount of such refund or credit is allowable. Interest is allowable on refunds made directly to customers by the Internal Revenue Service. The credit or refund which may be claimed from a telephone company is the amount of tax which was included in returns having due dates within the three-year period next preceding the due date of the return in which such credits are claimed.

Withdrawal of Tax Billed

5.04 Upon presentation of an exemption certificate in proper form for withdrawal of tax previously billed, an adjustment voucher for the amount of tax to be withdrawn should be prepared. Where an exemption certificate covers amounts on more than one account, adjustment vouchers should be prepared for each bill.

Adjustment Vouchers

5.05 On adjustment vouchers for credit adjustments, the tax should be shown separately from the related charge. The adjustment voucher should be prepared so the category of tax and the month the tax was billed can be determined. Appropriate entries should be made on controlling records.

Accounting

5.06 Taxes when billed should be debited to Account 118-01 Due from Customers and Agents, and credited to Account 159.2-49 Other Accounts Payable - Federal Taxes on Telephone Service. These entries should be reversed where tax is withdrawn, credited or refunded. When tax is paid to the government, Account 159.2-49 should be debited.

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## PART 6

## REPORTS AND REMITTANCES

### Scope of Part 6

6.00 This Part outlines procedures to be followed in making semimonthly deposits of excise tax, in reporting tax to the Internal Revenue Service on Form 720, Quarterly Federal Excise Tax Return, and in reporting data to American Telephone and Telegraph Company for statistical purposes.

### Summaries of Federal Excise Tax

6.01 The net amount of tax credited to Account 159.2-49 Other Accounts Payable - Federal Taxes on Telephone Service, during a calendar month is the basis for amounts to be deposited or paid. Accordingly, arrangements should be made to have billing offices (and any other units which may be involved) prepare reports summarizing all charges and credits journalized to Account 159.2-49 each month. These reports should be forwarded to the Tax Section or other unit responsible for preparation of deposits and returns. No breakdown by category of tax is required and, except as outlined in Paragraph 6.0101 below, no detail of credits or refunds need be furnished.

### Report of Refusals to Pay Tax

6.0101 Reports of refusals to pay tax (see Paragraph 5.0202) should be forwarded with summaries of charges and credits to Account 159.2-49. Such reports should show the name and address of the customer, the amount of tax involved and the reason, if known, why the customer refused to pay the tax. The customer's account should be credited with the amount shown on the report of refusal to pay and this credit should be reflected in the summary of charges and credits to which such report is attached.

### Refusals to Pay - Supplemental Data

6.0102 IRS regional offices have on occasion requested information to supplement the basic data provided with the quarterly return. Such information is generally of a nature readily available from telephone company records and may be provided dependent upon the opinion of the Legal Department of the particular company. If a "due date" for payment of charges billed is requested, the due date specified on the bill should be provided, when available. Lacking that, a date 30 days from the date of the bill may be used.

### Deposits of Tax - General

6.02 Bell System companies are required to deposit tax applicable to each successive semimonthly period within three banking days of the close of the second succeeding semimonthly period. Timely deposits of tax are to be made in either a Federal Reserve Bank or in a commercial bank authorized to accept such deposits. Amounts reflected in a single deposit should be applicable to no more than one calendar quarter.

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## Deposit Options

6.0201 Compliance with the regulations can be accomplished, without penalty, by exercising one of the following deposit options:

(1) If each deposit is not less than 90% of the total amount of the excise taxes billed by him during the semimonthly period; or

(2) If the amount incurred in the first semimonthly period in each month is normally 75% or less of the liability for the month, each deposit -

  (a) is not less than 45% of the aggregate amount of taxes for the month, or

  (b) is not less than 50% of the total amount journalized for the prior month.

The regulations regarding deposits made on the basis of options (2)(a) or (2)(b) will eliminate the need for semimonthly recording of tax except for those companies, if any, which normally incur in the first semimonthly period in each month more than 75% of their liability. Therefore, adequate compliance will be effected if each of the semimonthly deposits required to be made in the month following billing is determined by taking one-half of the total amount of tax journalized for the billing month.

## Tax Underpayments

6.0202 Any underpayment of tax for a month, resulting from the exercise of one of the deposit options in Paragraph 6.0201, must be deposited on or before the last day of the second month following the month under report. Where the due date for a deposit or payment under this paragraph falls on a Saturday, Sunday, legal holiday or local bank holiday, see Paragraph 6.04.

## Procedure for Making Semimonthly Deposits

6.0203 The Treasurer of the company will determine where deposits are to be made and advise the Comptrollers Department accordingly. If the deposits are to be made in commercial banks, the Treasurer will also furnish the names of these banks and the amount to be deposited in each. Payments should be made payable to the commercial bank depositary or Federal Reserve Bank in which deposit is made.

## Form 504, Federal Tax Deposit, Excise Taxes

6.0204 Form 504, a reproduction of which is attached as Exhibit 1 to this Part, is provided by the U.S. Treasury Department for use in making deposits of excise taxes. It is a punch card form with an attached stub receipt on which the depositing company should enter the amount of payment and record the check or money order number and date. The depositary may receipt and date the stub and return it to the telephone company for retention as its record of deposit or, as an alternative, some other supplementary receipt form may be employed. The receipted stub or alternative receipt form should be filed with the return.

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### Timely Mailing of Tax Deposits

6.0205 A tax deposit mailed two or more days before the prescribed due date is considered timely even though the deposit is received after the due date. However, the telephone company must be able to establish the fact of the mailing date.

### Form 720, Quarterly Federal Excise Tax Return

6.03 The total amount of excise tax shown on summaries of charges and credits to Account 159.2-49 for the calendar quarter should be summarized for preparation of Form 720, Quarterly Federal Excise Tax Return. A reproduction of Form 720 is attached as Exhibit 2 to this Part. A preaddressed Form 720 will normally be furnished by the Internal Revenue Service prior to the date the return is due.

### Preparation of Form 720

6.0301 The total amount of tax to be reported for the calendar quarter should be entered as Item 3 on Form 720. The total amount of tax entered as Item 3 on Form 720 should also be entered on the lower portion of Form 720, on the appropriate line for reporting communications excise tax.

### Filing of Form 720

6.0302 One Form 720, reporting tax for the entire company, should be filed with the District Director of Internal Revenue for the district in which the company has its principal place of business. Filed with the return should be (1) a summary of refusals to pay tax (see Paragraph 6.0101), (2) a statement worded as follows: *

> No amounts on this return are shown under Items 1 and 2 as permitted by letter ruling dated October 6, 1959 of the Acting Assistant Commissioner of Internal Revenue, a copy of which was filed with Form 720 for the __________ quarter of __________.

### Time for Filing Form 720

6.0303 Since Bell System companies report tax on a "when billed" basis, the last date for filing Form 720 along with the payment of any balance of tax due (see Paragraph 6.0202) is the last day of the second month following the calendar quarter under report. Where such last date for filing falls on a Saturday, Sunday or holiday, see Paragraph 6.04.

### Special Rule When Due Date of Return Falls on Saturday, Sunday or Legal Holiday

6.04 When the date for filing a return or making a deposit or payment under Paragraph 6.0202 falls on a Saturday, Sunday or legal holiday, the due date then becomes the first business day following such Saturday, Sunday or legal holiday.

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**E1163**
**Exhibit 117B**

The term "legal holiday" means local bank holidays as well as National and state legal holidays.

Quarterly Report to American Telephone and Telegraph Company

6.05 As soon as the tax return figures for a calendar quarter are available, a report giving the total amount of tax reported on Form 720 for the quarter should be prepared and forwarded to the Assistant Comptroller - Bell System Reports, of American Telephone and Telegraph Company.

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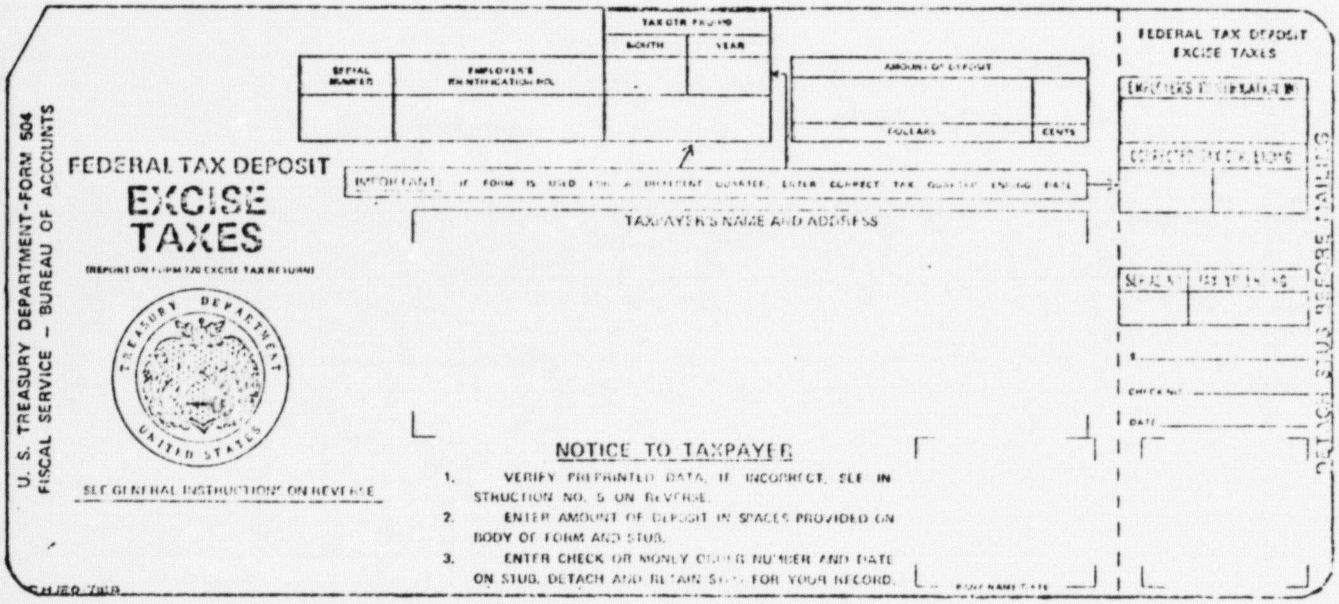
E1164
Exhibit 117B

Part
Exhibit

## FORM 504
## DEPOSIT FORM

Face



U. S. TREASURY DEPARTMENT-FORM 504
FISCAL SERVICE — BUREAU OF ACCOUNTS

**FEDERAL TAX DEPOSIT**
**EXCISE TAXES**
(REPORT ON FORM 720 EXCISE TAX RETURN)

SEE GENERAL INSTRUCTIONS ON REVERSE

| SERIAL NUMBER | EMPLOYER'S IDENTIFICATION NO. | TAX QTR ENDING MONTH | TAX QTR ENDING YEAR |
|---|---|---|---|
| | | | |

AMOUNT OF DEPOSIT
DOLLARS
CENTS

IMPORTANT: IF FORM IS USED FOR A DIFFERENT QUARTER, ENTER CORRECT TAX QUARTER ENDING DATE

TAXPAYER'S NAME AND ADDRESS

NOTICE TO TAXPAYER

1. VERIFY PREPRINTED DATA. IF INCORRECT, SEE INSTRUCTION NO. 5 ON REVERSE.
2. ENTER AMOUNT OF DEPOSIT IN SPACES PROVIDED ON BODY OF FORM AND STUB.
3. ENTER CHECK OR MONEY ORDER NUMBER AND DATE ON STUB. DETACH AND RETAIN STUB FOR YOUR RECORD.

FEDERAL TAX DEPOSIT
EXCISE TAXES

EMPLOYER'S IDENTIFICATION NO.

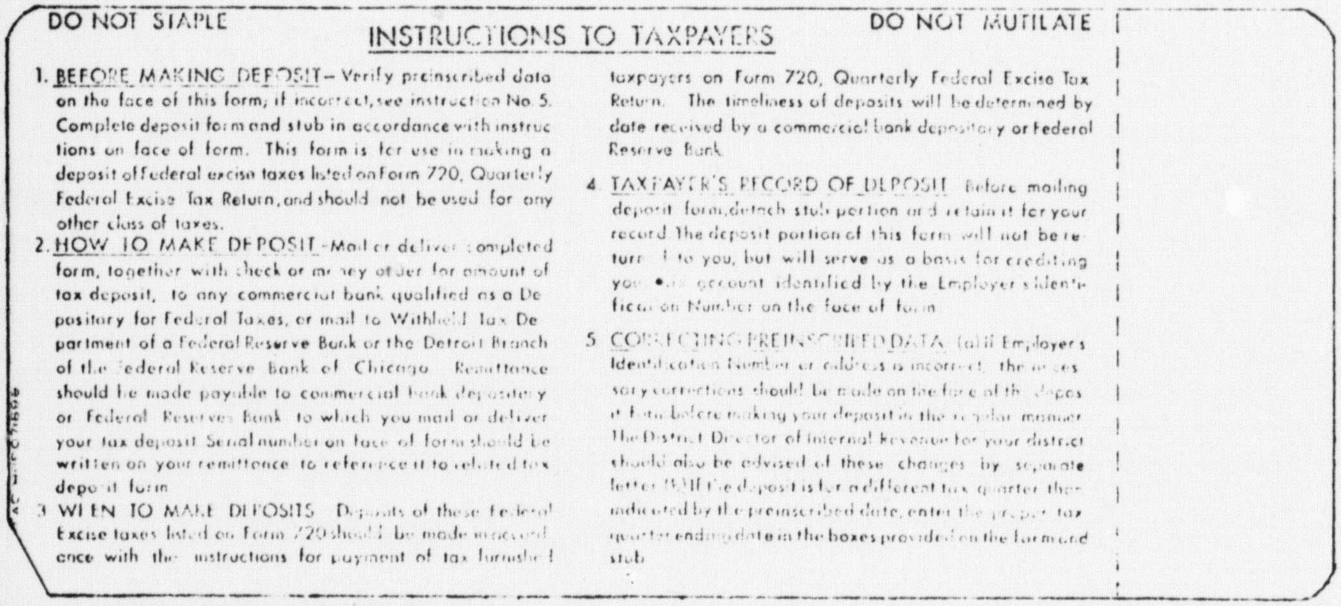
CORRECTED TAX QTR. ENDING

SERIAL NO.
TAX QTR. ENDING

$
CHECK NO.
DATE

DETACH STUB BEFORE MAILING

Reverse



DO NOT STAPLE

INSTRUCTIONS TO TAXPAYERS

DO NOT MUTILATE

1. BEFORE MAKING DEPOSIT— Verify preinscribed data on the face of this form; if incorrect, see instruction No. 5. Complete deposit form and stub in accordance with instructions on face of form. This form is for use in making a deposit of federal excise taxes listed on Form 720, Quarterly Federal Excise Tax Return, and should not be used for any other class of taxes.
2. HOW TO MAKE DEPOSIT -Mail or deliver completed form, together with check or money order for amount of tax deposit, to any commercial bank qualified as a Depository for Federal Taxes, or mail to Withheld Tax Department of a Federal Reserve Bank or the Detroit Branch of the Federal Reserve Bank of Chicago. Remittance should be made payable to commercial bank depository or Federal Reserve Bank to which you mail or deliver your tax deposit. Serial number on face of form should be written on your remittance to reference it to related tax deposit form.
3. WHEN TO MAKE DEPOSITS Deposits of these Federal Excise taxes listed on Form 720 should be made in accordance with the instructions for payment of tax furnished taxpayers on Form 720, Quarterly Federal Excise Tax Return. The timeliness of deposits will be determined by date received by a commercial bank depository or Federal Reserve Bank.
4. TAXPAYER'S RECORD OF DEPOSIT Before mailing deposit form, detach stub portion and retain it for your record. The deposit portion of this form will not be returned to you, but will serve as a basis for crediting your tax account identified by the Employer's Identification Number on the face of form.
5. CORRECTING PREINSCRIBED DATA (a) If Employer's Identification Number or address is incorrect, the necessary corrections should be made on the face of the deposit form before making your deposit in the regular manner. The District Director of Internal Revenue for your district should also be advised of these changes by separate letter. (b) If the deposit is for a different tax quarter than indicated by the preinscribed date, enter the proper tax quarter ending date in the boxes provided on the form and stub.

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American Tel. & Tel. Co.
Comptrollers Department

E1165
Exhibit 117B

Federal Excise Ta[illegible]
Communicati[illegible]

Par[illegible]
Exhibit[illegible]
Sh[illegible]

**FORM 720 (Rev. Jan. 1958)**
**U.S. TREASURY DEPARTMENT**
**Internal Revenue Service**

# QUARTERLY FEDERAL EXCISE TAX RETURN

1. Total tax *Before making entries 1 to 5, fill in applicable lines below* $
2. Credits (See instructions)
3. Net tax due (Item 1 minus Item 2)
4. This item is for the use of those taxpayers who make deposits of Federal Excise Taxes. Such deposits should be made to an authorized local bank or a Federal Reserve bank accompanied by a Federal tax deposit Form 504. (See instructions.)

| Serial No. of Form 504 | Date of Deposit | Amount |
|---|---|---|
| | | $ |

Total taxes deposited with Forms 504 $

5. Balance of tax to be paid with this return (Item 3 minus Item 4) $

For Internal Revenue Service use

T .... $
P ....
D ....
I ....
Total . $

Make check or money order payable to Internal Revenue Service

*Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.*

Signature

title (Owner, president, partner, etc.) Date

**IMPORTANT.**—If the items on which you previously paid excise taxes are no longer included below, or if you no longer have a business operation subject to excise taxes, please write "Final Return" here and return the form to your Internal Revenue Service office.

| FACILITIES AND SERVICES | Rate | TAX | IRS No. | PRODUCTS AND COMMODITIES | Rate | TAX | IRS No. |
|---|---|---|---|---|---|---|---|
| Club dues, initiation fees, life memberships | (1) | $ | 21 | Sugar | (1) | $ | 60 |
| Toll telephone service | 10% | | 22 | Diesel fuel and special motor fuels | (1) | | 61 |
| Teletypewriter exchange service | | | | | | | |
| Local telephone service | | | | | | | |
| Transportation of persons by air | 5% | | 26 | Gasoline | 4¢ gal. | | 62 |
| Policies issued by foreign insurers | (1) | | 30 | Lubricating oil | 6¢ gal. | | 63 |
| MANUFACTURERS | | | | | | | |
| Pistols and revolvers | 10% | | 32 | Tires: highway vehicle type | 10¢ lb. | | |
| Truck, bus and trailer chassis and bodies, tractors | 10% | | 33 | Tires: laminated | 1¢ lb. | | 66 |
| | | | | Tires: other | 5¢ lb. | | |
| Other auto chassis and bodies, etc. | 7% | | 34 | Inner tubes | 10¢ lb. | | 67 |
| Parts or accessories for trucks, etc. | 8% | | 48 | Tread rubber (camelback) | 5¢ lb. | | [illegible] |
| Fishing rods, etc., and artificial lures, etc. | 10% | | 41 | | | | |
| Firearms, shells, and cartridges | 11% | | 45 | TOTAL TAX (Enter in Item 1 above) | | $ | |

(1) See instructions.

**U.S. TREASURY DEPARTMENT**
**Internal Revenue Service**
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
INTERNAL REVENUE SERVICE

Your name, address, employer identification number and calendar quarter of return. (If not correctly printed please change)

Quarter ending

Employer Identification No.

Postmaster: [illegible]

**PLEASE RETURN THIS FORM TO YOUR INTERNAL REVENUE SERVICE OFFICE**
(See instructions [illegible])

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American Tel. & Tel. Co.
Comptrollers' Department

#1166
Exhibit 117B

Federal Excise T[illegible]
Comm[illegible]

Sheet [illegible]

# *Instructions for Use of Form 720—Quarterly Federal Excise Tax Return*

**Name, address, and employer identification number.**—After the first filing of Form 720, a preaddressed return will be mailed to you every 3 months. Please use the preaddressed form for your return. If a preaddressed form is lost, request another. If you must use a nonpreaddressed form, type or print your name, address, and employer identification number exactly as shown on previous returns. Do not use an employer identification number assigned to a prior owner.

### PAYMENT OF TAX

**Monthly deposits.**—All taxes are due and payable without assessment or notice. If you are liable in any month (except the third month of a quarter) for more than $100 for all taxes reported on Form 720, you are required to deposit such taxes with an authorized local bank or a Federal Reserve bank on or before the last day of the next month. For transportation and communication taxes, the taxes computed on the basis of amounts billed or tickets sold for a monthly period shall be considered as collected during the succeeding monthly period. Deposits for the third month of any quarter, and deposits of $100 or less for the first or second month of a quarter, are permissible but not required.

**Semimonthly deposits.**—*Taxes other than transportation, communications, sugar and policies issued by foreign insurers.*—If any person's total liability for all excise taxes reportable on Form 720 for any calendar month in the preceding calendar quarter exceeded $2[illegible], such person is required to deposit the excise taxes in an authorized local bank or a Federal Reserve bank on or before the last day of the semimonthly period [illegible] semimonthly period for which the taxes are reportable.

Compliance with the rules above relating to semimonthly deposits are met if—

**(a)** a deposit for each semimonthly period [illegible] of the total amount of the excise taxes [illegible] month, and if such period occurs in a month other than the last month in a calendar quarter a deposit for any underpayment for such month is made by the last day of the following month; or

**(b)** a deposit for each semimonthly period in the month is not less than 4[illegible]% of the total amount of the excise taxes reportable for the month and if such month is other than the last month in a calendar quarter a deposit for any underpayment for such month is made by the last day of the following month; or

**(c)** a deposit for each semimonthly period in the month is not less than 50% of the total amount of the excise taxes reportable for the preceding calendar month and if such month is other than the last month in a calendar quarter a deposit for any underpayment for such month is made by the last day of the following month.

***Note.***—A person who makes his deposits in accordance with the provisions of **(b)** or **(c)** above will not be required to keep his books and records on a semimonthly basis.

**Options (b)** and **(c)** above are not available to any such person who normally collects more than [illegible]% of his total excise tax liability for the month in the first semimonthly period in each month.

**Semimonthly deposits.**—*Transportation and communications.*—If any person required to [illegible] taxes for the transportation of persons by air or toll telephone service, teletypewriter exchange service, and local telephone service [illegible] calendar quarter, and if such person's total liability for all taxes reportable on Form 720 for any calendar month in the preceding calendar quarter exceeded $2,000, such person must deposit the excise taxes [illegible] within 3 banking days after the close of the semimonthly period during which such taxes were collected.

***Note.***—Any person who [illegible] amounts of tax required to be paid over on the basis of [illegible] typewriter exchange [illegible] sold (transportation of persons by air), [illegible] semimonthly period [illegible] succeeding semimonthly period. [illegible] before changing from one method of computing the tax to another.

Compliance with the rules above relating to semimonthly deposits are met if—

**(a)** a deposit for each semimonthly period [illegible] of the total amount of the excise taxes collected [illegible] period and if such period occurs in a month other than the last month in a calendar quarter a deposit for any underpayment for such month is made by the last day of the following month; or

**(b)** a deposit for each semimonthly period in the month is not less than 4[illegible]% of the total amount of the excise taxes collected during the month and if such month is other than the last month in a calendar quarter a deposit for any underpayment for such month is made by the last day of the following month; or

**(c)** a deposit for each semimonthly period in the month is not less than 50% of the total amount of the excise taxes [illegible] during the preceding calendar month, and if such month is other than the last month in a calendar quarter a deposit for any underpayment for such month is made for such month by the last day of the following month.

***Note.***—A person who makes his deposits in accordance with the provisions of (b) or (c) above will not be required to keep his books and records on a semimonthly basis.

Options (b) and (c) above are not available to any such person who normally collects more than 75% of his total excise taxes collected during the month in the first semimonthly period in each month.

**Semimonthly deposits.**—*Sugar and policies issued by foreign insurers.*—If any person required to pay taxes for sugar and policies issued by foreign insurers for a calendar quarter [illegible] person's total liability for all excise taxes reportable [illegible] for any calendar month in the preceding calendar quarter exceeded $2,000, such person must deposit the excise taxes [illegible] local bank or a Federal Reserve bank on or before the depositary receipt date.

Compliance with the rules above relating to semimonthly deposits are met if—

**(a)** a deposit for each semimonthly period is not less than 9[illegible]% of the total amount of the excise taxes reportable for such period and if such period occurs in a month other than the last month in a calendar quarter a deposit for any underpayment for such month is made by the first day of the second month following such month; or

**(b)** a deposit for each semimonthly period in the month is not less than 45% of the total amount of the excise taxes reportable for the month and if such month is other than the last month in a calendar quarter a deposit for any underpayment for such month is made by the first day of the second month following such month; or

**(c)** a deposit for each semimonthly period in the month is not less than [illegible]% of the total amount of the excise taxes reportable for the preceding calendar month and if such month is other than the last month in a calendar quarter a deposit of any underpayment for such month is made by the first day of the second month following such month.

***Note.***—A person who makes his deposits in accordance with the provisions of (b) or (c) above will not be required to keep his books and records on a semimonthly basis.

Options (b) and (c) above are not available to any such person who normally incurs more than 75% of his total excise tax liability for the month in the first semimonthly period in each month.

**Depositary receipt date.**—With respect to the first semimonthly period of a month, the "depositary receipt date" is the [illegible] day of the month following such month. With respect to the second semimonthly period of a month, the "depositary receipt date" is the 25th day of the month following such month.

**Semimonthly period.**—A "semimonthly period" means the first 15 days of a calendar month or the portion of a calendar month following the 15th day of such month.

**Form 531.**—This form is for use by taxpayers required to [illegible] excise taxes for taxable periods ending after [illegible] replaces old Form [illegible]. A supply of the new form [illegible] to taxpayers [illegible] will be preinscribed with identifying [illegible] including the taxpayer's name, address, and employer identification number. Taxpayers [illegible] tax for the first [illegible] additional forms [illegible] to the District Director or the Director of the Service Center for their area [illegible] required [illegible] any tax due which is not deposited [illegible] remitted with the return.

**Quarterly returns and due dates.**—A return must be filed for each quarter of the calendar year as follows:

| *Quarter covered* | *All excise taxes other than trans. & com[illegible] due on or before* | *Trans. & [illegible] on or before* |
|---|---|---|
| January, February, March | April 30 | May 31 |
| April, May, June | July 31 | August 31 |
| July, August, September | October 31 | November 30 |
| October, November, December | January 31 | February 28 |

(Continued on reverse of your copy)

[illegible] GOVERNMENT PRINTING OFFICE [illegible]

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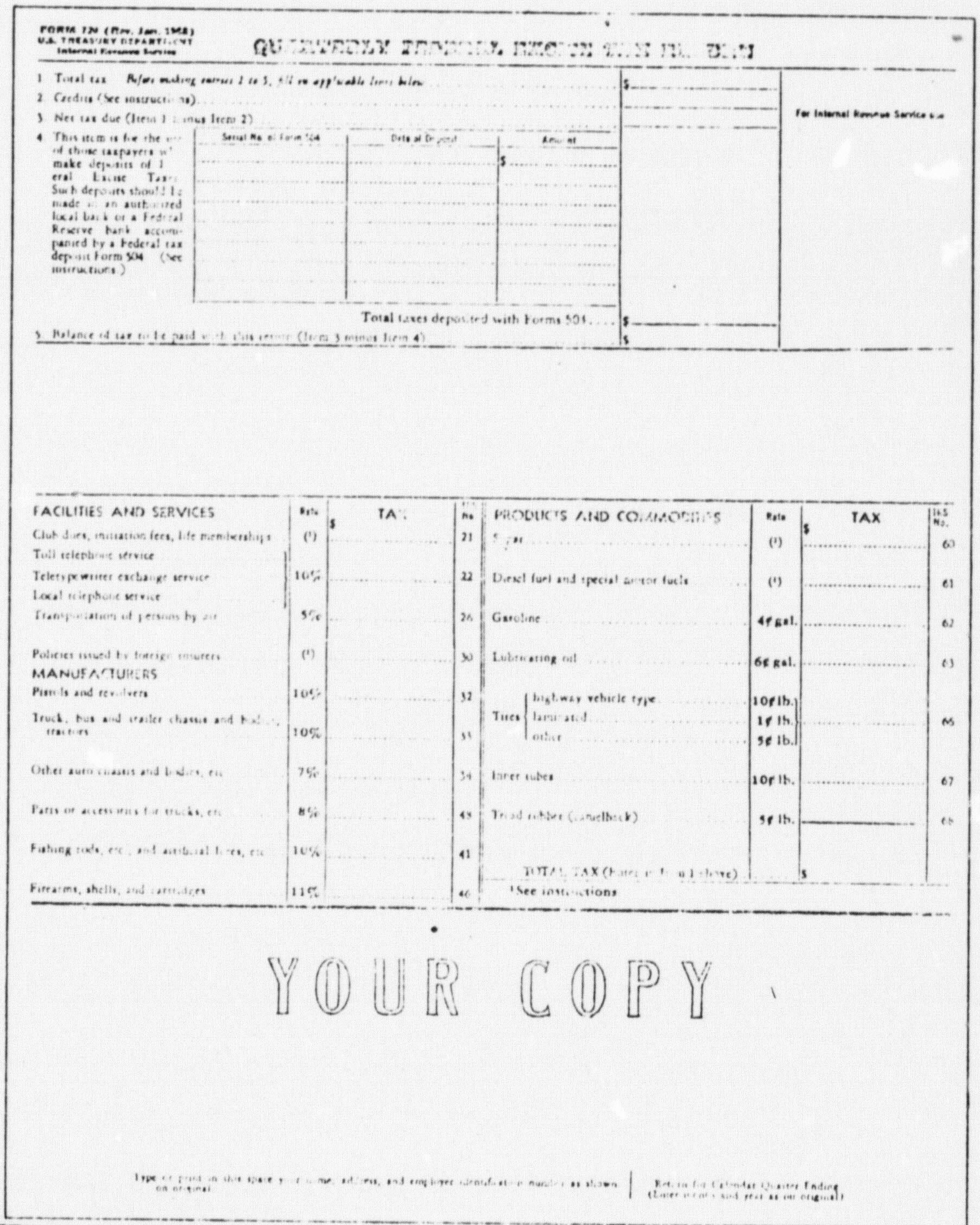
Effective [illegible]

**E1167**
**Exhibit 117B**



FORM 720 (Rev. Jan. 1958)
U.S. TREASURY DEPARTMENT
Internal Revenue Service

## QUARTERLY FEDERAL EXCISE TAX RETURN

1 Total tax *Before making entries 1 to 5, fill in applicable lines below* ........ $
2 Credits (See instructions) ........
3 Net tax due (Item 1 minus Item 2) ........

For Internal Revenue Service use

4 This item is for the use of those taxpayers who make deposits of Federal Excise Taxes. Such deposits should be made in an authorized local bank or a Federal Reserve bank accompanied by a Federal tax deposit Form 504. (See instructions.)

| Serial No. of Form 504 | Date of Deposit | Amount |
|---|---|---|
| | | $ |

Total taxes deposited with Forms 504 .... $
5 Balance of tax to be paid with this return (Item 3 minus Item 4) $

| FACILITIES AND SERVICES | Rate | TAX | IRS No. | PRODUCTS AND COMMODITIES | Rate | TAX | IRS No. |
|---|---|---|---|---|---|---|---|
| Club dues, initiation fees, life memberships | (¹) | $ | 21 | Sugar | (¹) | $ | 60 |
| Toll telephone service<br>Teletypewriter exchange service<br>Local telephone service | 10% | | 22 | Diesel fuel and special motor fuels | (¹) | | 61 |
| Transportation of persons by air | 5% | | 26 | Gasoline | 4¢ gal. | | 62 |
| Policies issued by foreign insurers | (¹) | | 30 | Lubricating oil | 6¢ gal. | | 63 |
| MANUFACTURERS | | | | | | | |
| Pistols and revolvers | 10% | | 32 | Tires: highway vehicle type | 10¢ lb. | | 66 |
| Truck, bus and trailer chassis and bodies, tractors | 10% | | 33 | Tires: laminated<br>Tires: other | 1¢ lb.<br>5¢ lb. | | |
| Other auto chassis and bodies, etc | 7% | | 34 | Inner tubes | 10¢ lb. | | 67 |
| Parts or accessories for trucks, etc | 8% | | 48 | Tread rubber (camelback) | 5¢ lb. | | 68 |
| Fishing rods, etc., and artificial lures, etc | 10% | | 41 | TOTAL TAX (Enter in Item 1 above) | | $ | |
| Firearms, shells, and cartridges | 11% | | 46 | | | | |

¹See instructions

YOUR COPY

Type or print in this space your name, address, and employer identification number as shown on original.

Return for Calendar Quarter Ending (Enter month and year as on original)

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E1168
Exhibit 117B

However (for all excise taxes other than those on transportation and communications) you are allowed an additional 10 days [illegible] filing your return, if your return shows timely deposits in full payment of the taxes due for the quarter.

Unless already shown on the preaddressed form, enter at the right of the space provided for the taxpayer's name, the ending month and year of the calendar quarter for which the return is filed.

**A return must be filed for each quarter whether or not liability is incurred.** If you have no tax to report, enter "None" in item 3.

**Where to file.**—Taxpayers whose principal place of business or principal office or agency is located in the North Atlantic Region (Maine, Massachusetts, Vermont, Connecticut, New Hampshire, Rhode Island, and New York) or Mid-West Region (Illinois, Iowa, South Dakota, North Dakota, Wisconsin, Nebraska, Missouri, and Minnesota) should file their returns with the District Director of Internal Revenue for the district in which the business is located. Other returns must be filed with the Internal Revenue Service Centers as listed below:

| If your principal place of business is located in any of the following States | Use this mailing address |
|---|---|
| Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee | Internal Revenue Service Center<br>4800 Buford Highway<br>Chamblee, Ga. [illegible] |
| Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia | Internal Revenue Service Center<br>11601 Roosevelt Boulevard<br>Philadelphia, Pa. [illegible] |
| Indiana, Kentucky, Michigan, Ohio, West Virginia | Internal Revenue Service Center<br>Cincinnati, Ohio [illegible] |
| Arkansas, Colorado, Kansas, Louisiana, New Mexico, Oklahoma, Texas, Wyoming | Internal Revenue Service Center<br>3651 Interregional Highway<br>Austin, Tex. [illegible] |
| Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington | Internal Revenue Service Center<br>1160 West 12 South St.<br>Ogden, Utah 84401 |

If the business is located in Puerto Rico, the return should be filed with the Director of International Operations, U.S. Internal Revenue Service, Ponce de Leon Avenue and Bolivia Street, Hato Rey, Puerto Rico 00917. If the taxpayer has no legal residence or principal place of business in any Internal Revenue district, the return should be filed with the Director of International Operations, Internal Revenue Service, Washington, D.C. 20225.

**Credits.** Where more than the correct amount of tax has been paid on any previous return, the overpayment may be taken either as a credit on any subsequent Form 720 or may be made the subject of a separate claim for refund on Form 843. Generally, a credit may be taken with respect to all the taxes reported on Form 720 to correct mathematical errors or to adjust payments of [illegible] transactions, charges, or processing which are entitled to [illegible].

The total of all credits taken should be entered in item [illegible] of Form 720. Where a credit is taken there should be submitted with the return a statement explaining the basis for the credit and that the required supporting evidence is in your possession.

Refunds may be claimed as provided by law (but credit may not be taken) to recover tax paid with respect to [illegible] exported, or used as livestock feed, or in the distillation of alcohol.

**Exemptions.**—Some transactions involving sale of taxable articles, payment for services and facilities, and the sale, processing, or use of products or commodities are exempt from tax. As an illustration, certain exemptions are provided for [illegible] transactions and for transactions involving States, political subdivisions, and certain nonprofit educational organizations.

**Records.**—Keep on file at your principal place of business or some other convenient location, duplicate copies of your returns and accurate records and accounts of all transactions containing sufficient information to indicate whether the correct amount of tax has been computed and paid. Records and information in support of all credits taken and all exemptions and adjustments must also be kept. All records shall be maintained for a period of at least 4 years from the date the tax was paid. Such records shall be available for inspection by the Internal Revenue Service.

**Penalties and interest.** Avoid penalties and interest by filing correct returns on time, making timely deposits of tax, and by paying the correct tax due with the returns. The law provides a penalty of from 5 percent to 25 percent of the tax for late filing unless reasonable cause is shown for the delay. In the event you are late in filing a return or in making a deposit of tax, send a full explanation with the return. Penalties are also imposed by law for willful failure to collect tax, pay tax, keep records, file returns, and for the filing of false or fraudulent returns.

## FACILITIES AND SERVICES

**Club dues, initiation fees, life memberships.**—The tax on these items has been repealed. However, if a club or organization received club dues, initiation fees, or life memberships which were exempt from tax by reason of section 4243(b) (payments for capital improvements) for any period prior to January 1, 1966, and if any such amount is not expended for such purpose within 2 years after the date of payment of such amount, the club or organization is liable for the tax imposed by section 4241.

**Policies issued by Foreign Insurers:**

(1) Casualty insurance and indemnity bonds.—Four cents on each dollar, or fraction thereof, of the premium paid on the policy of casualty insurance or the indemnity bond.

(2) Life insurance, sickness and accident policies, and annuity contracts.—One cent on each dollar or fractional part thereof, of the premium paid on the policy of life, sickness or accident insurance, or annuity contract.

(3) Reinsurance.—One cent on each dollar, or fractional part thereof, of the premium paid on the policy of reinsurance covering any of the contracts taxable under (1) or (2).

**Telephone service.**—Where payment is made and tax collected by inserting coins in a telephone, tax should be computed to the nearest multiple of 5 cents. One-half or a greater fraction of 5 cents shall be treated as 5 cents and a smaller fraction shall be ignored.

## MANUFACTURERS

These taxes apply to the sale by the manufacturer, producer, or importer of the articles listed.

**Basis for tax and adjustments.**—Generally the tax is computed on the price for which the taxable article is sold or leased. Where a taxable article is leased or is sold under a conditional sales contract, installment payment contract, or chattel mortgage arrangement, tax must be computed and paid on each payment received during the quarter covered by the return. For exclusion of: (1) finance charges, and (2) local advertising charges from the sale price, consult your District Director. Special rules apply to the lease of any article; for further information consult your District Director.

Where charges for transportation, delivery, insurance, and installation are included in the manufacturer's sale price, the price may be adjusted by deducting the actual amount paid or incurred for such expenses. The circumstances under which adjustments may be made and the evidence required to support such adjustments may be ascertained by consulting your District Director or the applicable regulations. Adjustment of the manufacturer's sale price may also be made in the case of discounts, rebates, and other similar allowances granted to the purchaser. However, such discounts, etc., may not be anticipated. Adjustments may only be made if the purchaser has taken advantage of the discount, etc., before the return is required to be filed.

Where the adjustments are made subsequent to the time the return is filed or if the required evidence is obtained subsequent to that time, the amount of tax involved may be considered an overpayment and you may then take a credit for that amount on a subsequent return or you may file a refund claim.

Tax shall be computed on a price established by the Commissioner of Internal Revenue where (1) an article is sold by the manufacturer or producer at retail, on consignment, or otherwise than through an arm's-length transaction at less than the fair market price, or (2) an article is subject to tax when used by the manufacturer.

## PRODUCTS AND COMMODITIES

These taxes apply to the manufacture of manufactured sugar, the retail sale or use of diesel fuel and special motor fuels, the use of gasoline, tread rubber, or the sale or lease of tires of [illegible], by the manufacturer, producer, or importer thereof; and [illegible] of lubricating oils by the manufacturer or producer thereof. The rates of tax not shown on the face of the form [illegible].

**Manufactured sugar.** On all manufactured sugar, [illegible] cent per pound of the total sugars therein.

**Diesel fuel and special motor fuels.**

(a) [illegible] cents per gallon [illegible] for use or used as a fuel in a highway vehicle, except [illegible] cents per gallon [illegible] for use or used in a highway vehicle (A) which, at the time [illegible] or use, is not registered [illegible] highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is not used on the highway.

(b) If fuel is sold subject to [illegible] the 2 cents per [illegible] rate, an additional tax of 2 cents per gallon is imposed on [illegible] if such fuel is used in a highway vehicle (A) which, at the time of such use, is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway.

(c) Special motor fuels, sold for use or used as a fuel for the propulsion of a motorboat, airplane, or motor vehicle other than a highway vehicle, 2 cents per gallon.

## LAMINATED TIRES

**Laminated tires.** Laminated tires [illegible] of the type used on highway vehicles which consist wholly of scrap rubber from used tire casings with an internal metal fastening agent.

PROTECTED

Effective 1-1-6[illegible]

E1169
**Exhibit 117B**

## PART 7

## RETENTION OF RECORDS

### General

7.00 In accordance with provisions of the Internal Revenue Service regulations on excise taxes, records and accounts involving such taxes must (except as hereinafter provided) be kept for a period of at least 4 years from the date the tax is due. The last date upon which Form 720, Quarterly Federal Excise Tax Return, is required to be filed should be considered as the date the tax is due. A complete and detailed record of all credits claimed for overpayment shall be kept for a period of at least 4 years from the date such credits are taken on returns. See Paragraph 7.02 for the special rule for retention of toll tickets.

### Records to Be Retained

7.01 The following are considered to be basic records supporting the tax return and should be retained for the period described in Paragraph 7.00 notwithstanding any lesser period prescribed by Federal Communications Commission regulations covering the retention of records of telephone companies:

(a) Accounting stubs or other account receivable records showing the local telephone service tax billed to each customer, or records of service and equipment and measured service records permitting a similar determination. Under machine processing, equivalent detail records should be maintained.

(b) Adjustment vouchers.

(c) Uncollectible write-off vouchers.

(d) Exemption certificates for withdrawal of tax billed. (Exemption certificates authorizing the billing of charges for services without tax should be retained for 4 years after such service is discontinued or the exemption is removed.)

(e) Revenue controlling records and summaries thereof.

(f) Copies of tax returns.

### Special Rule - Toll Tickets

7.02 Under a special ruling of the Internal Revenue Service toll tickets [illegible] records of toll calls need only be retained for the period prescribed by F.C.C. regulations (6 months), provided that the summaries of the tax on such messages are retained for the prescribed 4-year period. As the billing is [illegible] before the bills are rendered and the tax is summarized on revenue controlling and related summaries which are retained for the prescribed 4-year period, the [illegible] records provide satisfactory records to permit audit and support the return.

### Microfilm Records

7.03 Where microfilm records are made and retained for the prescribed 4-year period, it is not required that the original records be retained.

PROTECTED

**E1170**
**Exhibit 117B**

Appendix A-1

# FOREIGN GOVERNMENTS HAVING TREATIES WITH THE UNITED STATES EXEMPTING CONSULAR OFFICERS FROM EXCISE TAX

| Nation | | Classes of Consular Officers Named in Treaty |
|---|---|---|
| *Algeria | - | Consular officers and consular employees and members of their families forming part of their households. |
| Argentina | - | ⌀ |
| Austria | - | ⌀ |
| Belgium | - | Consuls general, consuls, vice consuls, and consular agents |
| Bolivia | - | Consuls general, consuls, and officers and persons attached to the consulate |
| Brazil | - | ⌀ |
| *Cameroon | - | ⌀ |
| *Chile | - | ⌀ |
| *Czechoslovakia | - | ⌀ |
| Columbia | - | Consuls general, consuls, and their chancellors or secretaries |
| Costa Rica | - | ⌀ |
| Cuba | - | ⌀ |
| Denmark | - | Consuls general, consuls, and persons attached to their necessary service and vice consuls |
| Dominican Republic | - | ⌀ |
| Ecuador | - | ⌀ |
| El Salvador | - | Consular officers and employees of consulates |
| Estonia | - | Consular officers |
| Ethiopia | - | Consular officers and employees of consulates |
| Finland | - | Consular officers |
| France | - | Consuls general, consuls, vice consuls, or consular agents as well as their consular pupils, chancellors and secretaries |
| *Gabon | - | ⌀ |
| Germany | - | Consular officers and employees in consulates |
| *Ghana | - | ⌀ |
| Greece | - | Consuls general, consuls, vice consuls, and consular agents |
| Haiti | - | Consular agents and employees of consulates |
| Honduras | - | ⌀ |
| Iran | - | Consular officers and employees |
| *Iraq | - | ⌀ |
| Ireland | - | ⌀ |
| Italy | - | ⌀ |
| Japan | - | Consular officers |
| *Kenya | - | ⌀ |
| Korea | - | Consular officers and employees |
| Latvia | - | Consular officers |
| Liberia | - | Consular officers including employees in a consulate |
| *Leichtenstein | - | ⌀ |

Notes: * Addition to list as of effective date.
⌀ Vienna Convention on Consular relations treaty nation. Exemption applies to same classes of consular officers as Algeria.

Effective Date - June 15, 1979

ROTECTED

**E1171**
**Exhibit 117B**

| Nation | | Classes of Consular Officers Named in Treaty |
|---|---|---|
| *Madagascar | - | ø |
| *Mali | - | ø |
| Mexico | - | ø |
| *Nepal | - | ø |
| Nicaragua | - | Consular agents and employees of consulates |
| *Niger | - | ø |
| *Nigeria | - | ø |
| Norway | - | Consular officers |
| *Pakistan | - | ø |
| Panama | - | ø |
| Paraguay | - | ø |
| Peru | - | Consular agents and employees of consulates |
| Philippines | - | ø |
| Panamania | - | Consuls general, consuls, vice consuls, and consular agents |
| *Senegal | - | ø |
| *Somali Republic | - | ø |
| Spain | - | ø |
| Sweden | - | Consuls general, consuls, vice consuls, deputy consuls general, deputy consuls, and consular agents |
| Switzerland | - | ø |
| *Trinidad and Tobago | - | ø |
| *Tunisia | - | ø |
| *United Arab Republic (Egypt) | - | ø |
| United Kingdom | - | Consular officers or employees (In addition to Great Britain and Northern Ireland, this convention applies to Cyprus, Kuwait, Malawi, Malaysia, Malta, Sierra Leone, Singapore, Tanzania, and Zambia). |
| *Upper Volta | - | ø |
| Uruguay | - | ø |
| USSR | - | Consular officers and employees of consulates |
| *Venezuela | - | ø |
| Yugoslavia | - | ø |
| Zanzibar | - | Consuls general, consuls, and consular agents |

Notes: * Addition to list as of effective date.
ø Vienna Convention on Consular Relations treaty nation. [illegible], applies to same classes of consular officers as Austria.

PROTECTED

Effective Date - June 1 .

Appendix A-2

**E1172**
**Exhibit 117B**

## FEDERAL AGENCIES AND INSTRUMENTALITIES OF THE UNITED STATES AND ORGANIZATIONS CREATED BY ACTS OF CONGRESS WHICH ARE TAX EXEMPT

Army Exchange Distribution Center
*Bank for Cooperatives
Caribbean Commission
*Central Bank for Cooperatives
Commodity Credit Corporation
ǿCommunity Action Functions of the Economic Opportunity Program
Cooperative Educational Research Laboratories
Coordinator for Ship Repair and Conversion
Council of State Governments
County Agricultural Conservation Association
Defense Plant Corporation
Defense Supplies Corporation
Disaster Loan Corporation
Economic Development Administration, Government of Puerto Rico
Electric Home and Farm Administration
Federal Credit Unions
Federal Crop Insurance Corporation
Federal Deposit Insurance Corporation
Federal Farm Loan Associations
Federal Farm Mortgage Corporation
Federal Home Loan Banks
Federal Intermediate Credit Banks
Federal Land Banks
Federal National Mortgage Association
Federal Reserve Banks
Federal Savings & Loan Insurance Corp.
Home Owners' Loan Corporation
Metals Reserve Company
National Institute of Municipal Law Officers
Office of Economic Opportunity
Petroleum Reserves Corporation
*Production Credit Associations
*Production Credit Corporations
Reconstruction Finance Corporation
R.F.C. Mortgage Company
Rubber Reserve Company
Ship's Service Activities
St. Lawrence Seaway Development Corporation
Tennessee Valley Authority (TVA)
U.S. Army Motion Picture Service
U.S. Commercial Company
U.S. Housing Authority and similar agencies of states, counties and municipalities
Volunteer Service Bureau
War Assets Corporation
War Damage Corporation

* The exemption shall not apply with respect to any Production Credit Association or its property or income after the stock held in it by the Production Credit Corporation has been retired, or with respect to the Central Bank for Cooperatives, or the Production Credit Corporation or Bank for Cooperatives or its property or income after the stock held in it by the United States has been retired. Since the Telephone Company is not in a position to know whether or when such retirements of stock have taken place, the Commercial Department should procure from the local authorities of each such agency a statement in writing, to the effect that under present stock ownership conditions it is exempt from tax and that it will notify the Telephone Company, in writing, of any retirement of its stock which would terminate such exemption.

ǿ Funded partially under Federal grants and partially by local community contribution. The exemption derives from the fact that the agency fills a function traditionally the responsibility of the municipality (Rev. Rul. 68-274).

PROTECTED

Effective Date - January 1, [illegible]

Appendix A-3

E1173
**Exhibit 117B**

# PUBLIC INTERNATIONAL ORGANIZATIONS DESIGNATED AS SUCH BY THE PRESIDENT OF THE UNITED STATES

Caribbean Organization
Coffee Study Group
Food and Agricultural Organization
Great Lakes Fishery Commission
Inter-American Defense Board
Inter-American Development Bank
Inter-American Institute of Agricultural Sciences
Inter-American Statistical Institute
Inter-American Tropical Tuna Commission
Intergovernmental Committee for European Migration
Intergovernmental Maritime Consultative Organization
International Atomic Energy Agency
International Bank for Reconstruction and Development
International Civil Aviation Organization
International Coffee Organization
International Cotton Advisory Committee
International Finance Corporation
International Hydrographic Bureau
International Joint Commission - United States and Canada
International Labor Organization
International Monetary Fund
International Pacific Halibut Commission
International Refugee Organization
International Telecommunication Union
International Wheat Advisory Committee (International Wheat Council)
Organization for European Migration
Organization of American States (Includes Pan American Union)
Pan American Health Organization (Includes Pan American Sanitary Bureau)
Preparatory Commission for the International Refugee Organization
Preparatory Commission of International Atomic Energy Agency
South Pacific Commission
Southeast Asia Treaty Organization
United Nations
United Nations Educational, Scientific and Cultural Organization
Universal Postal Union
World Health Organization
World Meteorological Organization

PROTECTED

Effective Date - January 1, 196[illegible]

Appendix F-1

**E1174**
**Exhibit 117B**

# ANNUAL CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES FOR SERVICES PAID FROM FUNDS OF THE UNITED STATES, OR OF ANY STATE OR TERRITORY OR POLITICAL SUBDIVISION THEREOF, OR PUBLIC INTERNATIONAL ORGANIZATION, OR ORGANIZATIONS CREATED BY ACTS OF CONGRESS WHICH ARE TAX EXEMPT

The undersigned claims exemption from the tax imposed by Section 4251 of the Internal Revenue Code on all local telephone service; toll telephone or radiotelephone messages or conversations; and teletypewriter exchange service, billed or to be billed the undersigned.

The undersigned certifies that such exemption is allowable by law for the reason that such services are being and will be furnished to and charges will be paid from funds of (check one):

☐ The United States (Sec. 4293), a state or political subdivision thereof (Sec. 4292).

☐ A Public International Organization (Sec. 4253; 7701 (a) (18).

☐ An organization created by Act of Congress which is tax exempt.

Billing Name ____________________

Address ____________________

Paid from Funds of ____________________
(Name of exempt organization)

Signature ____________________
(Authorized representative)

____________________
(Title)

Service identification ____________
(Account Number or Billing Number)

Received by

______________ Telephone Company

______________ ______________
(Date) (Initials)

ROTECTED

Effective Date - January 1, [illegible]

E1175
Exhibit 117B

## CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES TO STATE, ETC., GOVERNMENTAL BODIES OR INTERNATIONAL ORGANIZATION, ETC.

I certify that the service identified below has been furnished by

__________________________ Telephone Company to ________________________
(Billing name)

and that the charges of $ __________ included in bill dated ________________

will be paid from __________________________________ funds; and that such
(State, etc., Government or International Organization, etc.)

charges are exempt from tax under Section ________ of the Internal Revenue Code.

Billing Name ________________________

Address ____________________________

Signature __________________________
(Authorized representative)

________________________
(Title)

Service identification ____________
(Account Number or Billing Number)

Received by

_______________ Telephone Company

__________ (Date) _____________ (Initials)

ATTACH TO ADJUSTMENT VOUCHER

PROTECTED

Effective Date - January 1, 1969

**E1176**
**Exhibit 117B**

# CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES FOR SERVICES USED IN THE COLLECTION AND DISSEMINATION OF NEWS BY NEWSPAPERS, PRESS ASSOCIATIONS, ETC.

I certify that the service charges included in bill rendered by ______________ Telephone Company dated __________ relate to message facilities which were utilized exclusively in the collection of news for the public press, audio, or video broadcasting or in the dissemination of news through the public press or by means of audio or video broadcasting and are to or from other press associations or newspapers or audio or video broadcasters or to or from their bona fide correspondents, and that the charges therefore as set forth below are exempt from tax under Section 4253 (b) of the Internal Revenue Code.

TWX Facilities: Amount of exemption claimed $________

Connections: Amount of exemption claimed $________

Message Toll: Amount of exemption claimed $________

Wide Area Telephone Service: Amount of exemption claimed $________

Total $________

Billing Name ________________________

Address ________________________

Signature ________________________
(Authorized representative)

________________________
(Title)

Service identification ___________
(Account Number or Billing Number)

Received by

________________ Telephone Company

______________ ______________
(Date) (Initials)

ATTACH TO ADJUSTMENT VOUCHER

PROTECTED

Effective Date - January 1, 1969

E1177
Exhibit 117B

Appendix B-4

## ANNUAL CERTIFICATE OF EXEMPTION FROM FEDERAL EXCISE TAX ON CERTAIN CHARGES TO COMMON CARRIERS, TELEPHONE AND TELEGRAPH COMPANIES, RADIO AND TELEVISION BROADCASTING STATIONS AND NETWORKS

The undersigned claims exemption under Section 4253(f) of the Internal Revenue Code from the tax imposed by Section 4251 of the Code on the services identified below furnished to the undersigned.

In making this claim, the undersigned certifies that such services have been and will be used exclusively in the conduct of its business as a (check one):

☐ common carrier

☐ telephone company

☐ telegraph company

☐ radio or television broadcasting station or network

The undersigned represents that he is authorized to execute this certification and that, to the extent that it covers services to be hereafter rendered, he will notify the ______________ Telephone Company when the basis for tax exemption stated above ceases to exist.

Service identification ______________
(Account Number or Billing Number)

Billing Name ______________________

Address ______________________

Signature ______________________
(Authorized representative)

______________________
(Title)

Received by

______________ Telephone Company

__________
(Date)

__________
(Initials)

PROTECTED

Effective Date - January 1, 19[illegible]

**E1178**
**Exhibit 117B**

## CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES TO FOREIGN REPRESENTATIVES FOR SPECIFIED SERVICES PAID FROM FUNDS OF FOREIGN GOVERNMENTS (SEE PAR. 4.2401 AND 4.2402)

The undersigned claims exemption from the tax imposed by Section 4251 of the Internal Revenue Code on the charges shown below, and billed to the undersigned.

The undersigned certifies that such exemption is allowable by law for the reason that he is a representative of a foreign government and that such services were used by said customer or by persons attached to his office, in said customer's official capacity and for official purposes of a government nature.

| | Charges for Which Exemption Is Claimed | Amount of Tax Credit Claimed |
|---|---|---|
| Local telephone service, per detail attached . | | |
| Toll telephone messages, per detail attached . | | |
| Special services used for official purposes, per detail attached . . . . . . . . . . . . . | | |
| Personal long distance calls from hotels, coin and personal telephones # . . . . . . . | | |

Billing Name ______________________

Address ______________________

Foreign Representative of Government of ______________________

Service identification ____________ (Account Number or Billing Number)

Signature ______________________ (Authorized representative)

______________________ (Title)

Received by

______________________ Telephone Company

______________________ (Date)

______________________ (Initials)

# Applicable only to consular officers whose foreign governments have treaties with the United States, and to Ambassadors, Ministers and other diplomatic representatives of foreign governments.

ATTACH TO ADJUSTMENT VOUCHER

PROTECTED

Effective Date - January 1, 1969

E1179
Exhibit 117B

Appendix B-6

## ANNUAL CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES TO CONSULAR OFFICERS WHOSE FOREIGN GOVERNMENTS HAVE TREATIES WITH THE UNITED STATES (SEE PAR. 4.2402)

The undersigned claims exemption from the taxes imposed by Section 4251 of the Internal Revenue Code, on charges billed or be be billed the undersigned for telephone service without regard to whether the transaction is official or personal.

The undersigned certifies that such exemption is allowable by law under the terms of a treaty of record between the United States and the country the undersigned represents, and that the undersigned is not engaged in professional business, trade, manufacture, or commerce and is not a citizen of the United States.

Billing Name ______________________

Address ______________________

Name of Foreign
Government ______________________

Signature ______________________
(Authorized representative)

______________________
(Title)

Service identification ____________
(Account Number or Billing Number)

Received by

____________ Telephone Company

____________ ____________
(Date) (Initials)

PROTECTED

Effective Date - January 1, 1969

Appendix B-7

**E1180**
**Exhibit 117B**

# CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES FOR TELEPHONE OR RADIOTELEPHONE MESSAGES ORIGINATING IN A COMBAT ZONE FROM A MEMBER OF THE ARMED FORCES OF THE UNITED STATES

The undersigned claims exemption from the tax imposed by Section 4251 of the Internal Revenue Code on toll telephone charges in the amount of ________________, and billed to the undersigned.

The undersigned certifies that such exemption is allowable by law in accordance with Section 4253 (d) of the Internal Revenue Code for the reason that the telephone or radiotelephone messages originated within a combat zone, as designed by Executive Order, and were from a member of the Armed Forces of the United States performing service in such combat zone.

Amount of Tax Credit Claimed $ ________

Date of Bill ____________________________________

Message Received from ____________________________
(Name of person)

Message Originated at ____________________________
(Name of combat zone)

Billing Name ____________________________

Address _________________________________

Telephone Number ________________________

Customer Signature ______________________

Received by

________________ Telephone Company

____________ ____________
(Date) (Initials)

PROTECTED

ATTACH TO ADJUSTMENT VOUCHER

Effective Date - January 1, 1969

**E1181**
**Exhibit 11[illegible]3**

Appendix B-8

# ANNUAL CERTIFICATE OF EXEMPTION FROM TAX FOR USE BY A SCHOOL OPERATED AS AN ACTIVITY OF A CHURCH, PARISH, OR OTHER RELIGIOUS BODY

_______________, 19_____
(Date)

The undersigned hereby certifies that he is ______________________ of
(Title or capacity)
______________________________________; that he is authorized to execute
(School, church, parish, etc.)
this certificate; and that the communication services or facilities furnished or to be furnished to the institution by ______________________________
(Telephone, telegraph company, etc.)
will be paid for from the funds of the institution and are for the exclusive use of the school.

The school operated as an activity of the church, parish, or other religious body normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

The undersigned understands that the fraudulent use of this certificate for the purpose of securing this exemption will subject him and all guilty parties to a fine of not more than $10,000, or to imprisonment for not more than five years, or both, together with costs of prosecution.

Billing Name ______________________

Address ______________________

Signature ______________________
(Authorized representative)

______________________
(Title)

Service identification __________
(Account Number or Billing Number)

Received by

____________ Telephone Company

__________ __________
(Date) (Initials)

PROTECTED

Effective Date - January 1, 1969

**E1182**
**Exhibit 117B**

Appendix B-9

# CERTIFICATE OF EXEMPTION FROM TAX

# FOR USE BY NONPROFIT EDUCATIONAL INSTITUTIONS

________________ , 19__
(Date)

The undersigned hereby certifies that he is ________________________ of
(Title or capacity)
______________________________ ; that he is authorized to execute this
(Exempt organization)
certificate; and that the communication services or facilities furnished or to be furnished to the organization by ____________________________________
____________________________________________________
(Telephone, telegraph company, etc.)
will be paid for from funds of the organization and are for the exclusive use of the organization in the educational activities which qualify it for exemption from tax under Section 4294 of the Internal Revenue Code.

The organization claiming exemption under this certificate has received a determination letter (or a ruling) from the Internal Revenue Service holding the organization to be exempt from income tax as an organization described in Section 501 (c) (3) of the Internal Revenue Code (or has received such determination letter (or ruling) under the corresponding provisions of prior revenue laws). The date of such determination letter (or ruling) is ______________ and such determination letter (or ruling) has not been withdrawn or revoked.

The exempt organization normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

The undersigned understands that the fraudulent use of this certificate for the purpose of securing this exemption will subject him and all guilty parties to a fine of not more than $10,000, or to imprisonment for not more than five years, or both, together with costs of prosecution.

Billing Name ______________________

Address ___________________________

Signature __________________________
(Authorized representative)

___________________________
(Title)

Service identification __________
(Account Number or Billing Number)

Received by

__________ Telephone Company

__________ __________
(Date) (Initials)

PROTECTED

Effective Date - January 1, 19

Appendix B-10

**E1183**
**Exhibit 117B**

## STATEMENT THAT COMMUNICATION SERVICES ARE USED AS COMPONENTS OF A TAXABLE SERVICE BY TELEPHONE COMPANY'S CUSTOMER

The undersigned hereby certifies that the services furnished by the _______________ Telephone Company, as enumerated below, will be used exclusively in the rendering of a communication service upon which tax is imposed by Section 4251 of the Internal Revenue Code.

It is understood that no tax will be collected by the telephone company on charges for said services, and that it will be the responsibility of the undersigned to collect such tax as may be due from its customers.

Billing Name ______________________________

Address _______________ _______________

Signature ______________________________
(Authorized representative)

______________________________
(Title)

Service identification _______________
(Account Number or Billing Number)

Received by

_______________ Telephone Company

__________ (Date)
__________ (Initials)

PROTECTED

Effective Date - January 1, 1969

**E1184**
**Exhibit 117B**

## CERTIFICATE OF EXEMPTION FROM TAX ON CHARGES FOR SERVICES PAID FROM FUNDS OF A NONPROFIT HOSPITAL

The undersigned claims exemption under Section 4253(h) of the Internal Revenue Code from the tax imposed by Section 4[illegible]61 of the Code on all local telephone service; toll telephone or radiotelephone messages or conversations; and teletypewriter exchange service, billed or to be billed the undersigned.

The undersigned has received a determination letter (or a ruling) from the Internal Revenue Service holding the organization to be exempt from income tax under Section 501(a) of the Internal Revenue Code (or has received such determination letter (or ruling) under the corresponding provisions of prior revenue laws). The date of such determination letter (or ruling) is ________________ and such determination letter (or ruling) has not been withdrawn or revoked.

Billing Name ____________________

Address ____________________

Paid from
Funds of ____________________
(Name of exempt organization)

Signature ____________________
(Authorized representative)

____________________
(Title)

Service identification __________
(Account Number or Billing Number)

Received by

______________ Telephone Company

______________ ______________
(Date) (Initials)

PROTECTED

Appendix B-12

E1185
**Exhibit 117B**

# FORM OF FEDERAL TAX EXEMPTION CERTIFICATE TO BE EXECUTED BY A COMMUNITY ORGANIZATION CONDUCTING THE COMMUNITY ACTION PORTION OF THE ECONOMIC OPPORTUNITY PROGRAM

______________________
(Date)

The undersigned hereby certifies that he is ______________________ (Title or Capacity) of the ______________________ (Organization Name); that he is authorized to execute this certificate; that the communication services and facilities furnished* or to be furnished to the organization by the ______________________ are for the exclusive use of the organization; and that the charges for such services will be paid for from the funds of the organization.

The organization is incorporated under state law as a nonprofit corporation, and functions, in part, under grants from the Federal Government for the purpose of conducting the Community Action portion of the Economic Opportunity Program in ______________________ (Local Community). The remainder of its funds are provided by the local community.

In view of the provisions of Revenue Ruling 68-274 (I.R.B. 1968-22, 26), the organization claims exemption from the tax imposed by Section 4251 of the Internal Revenue Code.

* Telephone Number(s)

Billing Name ______________________

Address ______________________

Signature ______________________
(Authorized representative)

Received by

______________________ Telephone Company

______________________ (Date)

______________________ (Initials)

PROTECTED

Effective Date - January 1, 1969

E1186
Exhibit 117B

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